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CIA HISTORICAL STAFF

## The Support Services Historical Series

THE DEVELOPMENT OF RETIREMENT POLICY  
IN THE CENTRAL INTELLIGENCE AGENCY, 1947-68

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OP-4

June 1971

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THE DDS HISTORICAL SERIES

OP-4

THE DEVELOPMENT OF RETIREMENT POLICY  
IN THE CENTRAL INTELLIGENCE AGENCY  
1947-68

25X1A by

[REDACTED]

June 1971

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[REDACTED]

Harry B. Fisher  
Director of Personnel

HISTORICAL STAFF  
CENTRAL INTELLIGENCE AGENCY

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THE DEVELOPMENT OF RETIREMENT POLICY  
IN THE  
CENTRAL INTELLIGENCE AGENCY  
1947-68

I. Introduction

This history traces the development of the Agency's retirement policy. The time frame covers the period beginning with the early days of the Agency in 1947 and concludes with developments taking place in 1968.

The evolution of a retirement policy for the Central Intelligence Agency has been a difficult and painful experience. There were times when it seemed that most obstacles to the declaration and administration of a relatively simple and straightforward retirement policy had been cleared away. But over the years, a variety of conflicting factors served to influence policy development with the result that many changes in approach were necessary.

It can be assumed that the difficulties encountered on the way to a retirement policy for the

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Agency stemmed from the essentially unique nature of the proposed policy. The effort by the Agency to require retirement of its employees eight to ten years prior to mandatory retirement at age 70 was an unheard-of violation of employee expectations. Only two Government employment systems in the civilian area, the Department of State and the Federal Bureau of Investigation, were known to be able to force early retirement of their employees. Their special legislation permitted early retirements, but there were added inducements. The Agency, however, was unable to offer any inducements. Consequently, employees were told that their retirement was earnestly desired by the Agency but that, unfortunately, it had nothing to offer in palliation for any inconvenience or financial hardship they might suffer in the process. It is doubtful that any other agency or department of the Government would have attempted to impose such a policy on its employees. It is highly unlikely that it would have been *possible* elsewhere.

It will be shown that the Agency embarked on the development of a retirement policy for the purpose

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of providing an additional stimulant to attrition. Various studies had convinced Agency officials that attrition rates at the upper grade and age levels were below those of most governmental agencies. By stimulating retirements, it was thought that turnover rates would more nearly approximate desirable levels. In theory, this concept had merit. In practice, however, it was confronted with the interaction of contravening forces. The Agency could at the same time be at or near its authorized overall strength, while some of its components might be over strength and others under strength. In another situation involving a clear confrontation of priorities, one directorate might be in a recruitment phase while one or more of the others might be faced with problems of contraction. The same conditions might obtain *within* a directorate. Meanwhile, other priorities existed such as the need for continuing the recruitment of Junior Officer personnel, and, of course, there was always the chronically critical shortage of clerical personnel.

As might be expected in a study covering twenty years, there have been a number of distinct phases

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observable during that period of the Agency's existence. The first phase of this study dates from the early days of the Agency when it was young as an organization and its people, too, were still rather young. During the years from 1947 into 1960, the subject of retirement was rather distant from the consciousness of most employees. During the phase which followed, the special nature of the Agency's personnel problems became more apparent and it became clear that certain special incentives would be needed. During these days, incentives such as hazard pay, increased benefits, and early retirement legislation loomed into view as highly desirable objectives.

These benefits, however much they were needed, were years away, and little credence was given to suggestions that "early" retirement legislation might be passed soon. In the meantime, certain interim procedures were thought necessary to cope with what management regarded as the problem of the aging employee population. An Agency Retirement Board was established in 1960 to deal with this problem on an overall basis and assist Agency components as much as possible. As will be seen, one critically important

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event was the much-to-be-discussed statement of policy promulgated with the activation of the Retirement Board. At the same time, the need for "early retirement" legislation was becoming unmistakably clear as internally conceived and applied solutions were in the process of being tested.

It will be shown that the needs of the Clandestine Service (CS) (the Directorate for Plans -- DDP), as perceived by the leaders in that area of activity, were the prime movers in the formulation of the basic retirement policy of the Agency. Accordingly, it seemed a useful technique to study the development of retirement policy in terms of the problems associated with the Clandestine Service, the Intelligence Directorate, and the Support Services in separate chapters.\* The influence of the Clandestine Service on retirement policy continued, but; once that frame of reference was clarified, it

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\* Retirement policy in relation to the Science and Technology Directorate is not discussed in this paper. Research yielded no pertinent material relating to that directorate and retirement policy during the period covered by this study.

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was possible to return for discussion purposes to the more general aspects of the Agency's retirement program.

The passage of the CIA Retirement Act must be regarded as a critical event in the Agency's history. In relation to retirement policy it was cataclysmic. The references to the CIA retirement system in this study are not intended to be comprehensive and are included to show the system's relationship to Agency retirement practices in general. There was other legislation, too, which had profound effects on Agency personnel and retirement policies. These are discussed at some length. It is clear that the CIA Retirement Act was but one of several employee benefits granted to Agency personnel during a very, very rich period in terms of benefits lavished on Federal employees.

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## II. Beginnings

### A. Introduction

The retirement policy which went into effect when CIA came into being in September 1947 was hammered out in the Central Intelligence Group (CIG) during the spring and summer of that year. The first known mention of retirement for personnel in the fledgling organization was contained in a memorandum dated 14 March 1947 which directed that

The policy incident to extending Civil Service retirement rights and providing for continuity of service for our employees, in accordance with the procedures which have been worked out by Mr. William J. Kelly\* with the U.S. Civil Service Commission, should be set forth in this directive.1/\*\*

A draft of the requested directive indicates that at least initially there was some question as to the applicability of the provisions of the Civil

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\* Mr. Kelly was Personnel Director from 2 May 1947 to 30 July 1951.

\*\* For serially numbered source references, see Appendix C.

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Service Retirement Act to CIG employees. The draft stated that "Personnel employed on unvouchered funds will have the right to all retirement provisions and benefits" and that "The Finance Division, CIG, will withhold the proper retirement deductions for all personnel who, upon their entrance on duty ... indicate a desire to have such deductions made." It is important to note that there was no recognition of the fact that payroll deductions for Civil Service retirement for personnel employed under excepted appointment or those having Civil Service status were mandatory.

25X1A It was evident that the confusion continued when [REDACTED], the Chief of the Special Funds Division of the Office of Special Operations (OSO), stated that

There appears to be, however, some question as to whether legally all employees must participate in the retirement plan, or whether some degree of option can be granted to employees.<sup>2/</sup>

25X1A Proceeding on the assumption that there had not been a determination that participation was obligatory, [REDACTED] recommended that all but covert employees be required to participate in the retirement

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plan. The two principal reasons advanced for excluding covert employees were the anticipated tenuous nature of their employment and the risk of compromise of their activities such as in an audit which might possibly be conducted by outside sources like the General Accounting Office.

The fact that the issue was resolved in favor of mandatory participation does not detract from the significance of these early deliberations on the development of CIA retirement policy and practice. The clear desire that there be a difference between the treatment of covert and overt personnel in respect to retirement matters was to appear many times during the ensuing years. Another significant aspect was that administrators in CIG (and later CIA) appeared to think that they must plow their own ground on personnel matters. Certainly much time and effort might have been conserved at that time if applicable Civil Service Commission issuances and those of other agencies had been adapted for the Agency's use. Also significant is the attitude, which may be considered typical of a young Agency, that concern was

expressed over the issue of participation in the retirement plan with no evident concern for a procedure or policy affecting an employee's eventual plans for retirement. Several years were to lapse before concern was voiced over this aspect of personnel planning.

B. Early Policy

Following this flurry of activity, there were no developments for a number of years except for restatements in 1951 3/ and 1952 4/ that employees with "permanent" or "unlimited" appointments were subject to retirement deductions as provided by law.\* In 1953, however, the Agency's first statement on retirement policy appeared in the form of a regulation:

The Central Intelligence Agency will effect the retirement of eligible employees in accordance with the spirit and purposes

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\* Agency employees were hired on an excepted appointment which, while not limited by time, provided tenure with the employing agency only. It did not confer Civil Service status which affected Government-wide employment status.



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of the Civil Service Retirement Act and will provide assistance and advice to employees concerning their current and prospective benefits, privileges, and obligations.5/

Apart from this statement of policy, the regulation was largely a restatement of the applicable portions of the Civil Service Retirement Law. One portion, which was of some significance in light of later developments, bears repetition:

An employee must be automatically retired for age when he has reached age 70 and has 15 or more years of creditable service unless he is continued in service by Executive Order. However, an employee who reaches age 70 prior to meeting the 15 years' service requirement may be retained until this requirement is met.6/

This statement, which set forth the retirement options normally associated with Civil Service retirement, was to assume major significance in later years, when Agency policy on this subject was changed. By December 1953, when this statement of policy was issued, the Agency had undergone a period of rapid expansion. Many persons recruited during this period transferred from other agencies of the Government fully expecting, as they later claimed, that the ground rules on retirement would be the same in CIA as elsewhere.

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One indication of the lack of interest in retirement matters as such is the absence of retirement statistics for this period. It was not until mid-1955 that meaningful statistics were kept on the number of retirements each year. Until that time, retirements were lumped in the general category of "separations" for statistical purposes. Personnel officers who recalled Agency practices at that time suggested that there was little concern with the retirement question because the number of retirements was small - probably not more than ten or twelve each year. This seems reasonable, since the Agency was young. Furthermore, it will be noted that a great part of the recruitment effort in the early years of the Agency was among employees of the predecessor organization and World War II veterans, most of whom could be presumed to be younger than age 50 in 1955.

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### III. Moving Toward Retirement Legislation

In September 1951, a Career Service Committee was formed to study the problems relating to the establishment of a Career Corps within the Central Intelligence Agency. This Committee consisted of an Assistant Director from the covert components and one from the intelligence production offices, the Assistant Director for Personnel, and the Director of Training. This committee worked until June 1952. Although its stated purpose may have appeared to be limited, the committee embarked on wide-ranging discussions involving such subjects as a "commissioned" career corps, the degree of obligation to be required of an employee toward the Agency, the desirability of single versus associated career services, trainees, rotation, and career benefits. The committee established eight task forces, all of which submitted reports which were included in the report of the Career Service Committee.<sup>7/</sup>

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Following dissolution of the committee, several of the task forces continued their work under a successor organization known as the CIA Career Service Board.<sup>8/</sup> One of these, the Legislative Task Force, submitted a report which led the Inspector General, Mr. Lyman B. Kirkpatrick, Jr., to say that

Some of these benefits, to mention just a few, would be accelerated retirement for different types of service such as hazardous service, service in difficult climates, service beyond the call of duty; that is, extraordinary service, etc.<sup>9/</sup>

This statement on 3 August 1954 led to great hopes on the part of many, and was the first known, broadly disseminated acknowledgment that such a program was under consideration. Mr. Kirkpatrick, himself, was most optimistic as to the future of the proposal.

[The Report] tells us exactly what type of legislation we need to get the additional benefits which we feel that career employees in this Agency must have. Certain of these measures we will get during the present session of Congress. Other measures we may go after in the form of a career Bill, but more likely by riding on other Bills which will be passed either in this session or the next session of Congress.<sup>10/</sup>

The trials and tribulations experienced with Congress and others in attempting to obtain passage of the desired legislation over the ensuing ten years are

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beyond the scope of this history.\* However, much of the thinking voiced by Agency officials during the period prior to enactment of the CIA Retirement Law is useful in tracing the evolution of a retirement policy for the Agency.

A meaningful assessment of the problem, as Agency officials saw it in the early fifties, is not possible without reviewing the ground rules as they affected an individual contemplating retirement under the Civil Service Retirement Act at that time.

There were two general requirements which all retiring employees had to meet. These were: (1) the employee had to have at least 5 years of *civilian* service with the Government, and (2) he had to have been employed under the Retirement Act for at least 1 year out of the last 2 years preceding separation for retirement, unless the retirement was on account of disability. An employee had to retire at or after age 70 if he had 15 years of service. An employee who met any combination of minimum age and service,

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\* A study of the legislative history of the CIA Retirement Act is now (1971) in the process of preparation.

as well as the special requirements (if any) shown in the following table could retire and draw an immediate annuity:

<u>Minimum Age</u>	<u>Minimum Service (Years)</u>	<u>Special Requirements</u>
62	5	None
60	30	None
55*	30	None
any age*	25	Separation must be involuntary without cause.
50*	20	Separation must be involuntary without cause.
any age	5	Must be totally disabled for service in the position occupied.

It appears that the impetus behind efforts to obtain a liberalized retirement system stemmed from consideration associated with concepts applying to a career service system. In 1953 a struggle of some

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\* The annuity was reduced by 1/12 of one percent per month (1 percent per year) for each year under age 60 and over 55, and 1/6 of one percent per month (2 percent per year) for each year under age 55.

proportions developed in the Career Service Committee over the issue of whether employees should accept an obligation to remain with the Agency.11/ This idea was rejected, and the committee went on to the larger question concerning the desirability of having one intelligence service encompassing all personnel within the Agency.12/ This concept prevailed. It seems clear, however, that most participants were convinced that in order to foster the growth of a career service certain benefits should be afforded the members. Many proposals were considered by the committee, and several were included in recommendations to the CIA Career Board 13/ and in turn, to the Director of Central Intelligence (DCI). Of special significance was the proposal that an effort be made to obtain legislation which would provide CIA employees with an improved retirement system.

Background material, particularly an early staff study,14/ indicates that the FBI and Foreign Service Retirement Systems contained features which were most attractive from the Agency's viewpoint. Not only were the features of these systems desirable, but the fact that they were already law, and

therefore useful precedents, made them especially attractive. However, this was not enough in the minds of some because

It is assumed that a liberalized retirement system could not be justified for CIA personnel purely on the basis of their CIA employment. Although their duties subject them to unusual security restrictions, this situation is not so unusual in Government agencies as to warrant special retirement benefit consideration. Consequently, this study is confined to consideration of a liberalized retirement for CIA employees whose duties subject them to working conditions which are substantially different from those of the average recipient of Civil Service retirement benefits.<sup>15/</sup>

This assumption led, naturally, to that aspect of CIA employment which, in our particular frame of reference, is clearly unique -- overseas service.

Having acknowledged that civilian employees of other governmental agencies serve overseas, it was then necessary to identify those aspects of overseas service with the agency which differed from others.

It was generally agreed that Agency employees assigned overseas

... work under the cover of some other Government agency or private enterprise activity and in so doing must adjust their personal lives to comply with cover conditions;



... are members of a career service which might require them to serve at any post throughout the world as operational need dictates;

... are likely targets of foreign intelligence services and, as such, are subject to unusual hazards.16/

... [work under conditions that require] a combination of mental, physical, and psychological characteristics which are found in diminishing proportions as employees advance past age 50, and particularly in those employees who have been engaged in such activity for an extended period of time.17/

So far as is known, these concepts were given their first broad hearing through this staff study. Although refined and embellished in later presentations, these thoughts were the basis for most presentations that followed. The portion referring to the diminishing capabilities of employees past age 50 must be regarded as an important departure point in the development of an Agency retirement policy as well as the basis for "early" retirement legislation.

#### IV. The Agency Retirement Board

##### A. The Origins of a New Policy

The Agency's preoccupation with the need for special retirement legislation was evident during the next several years. Little if any effort was made, however, in terms of developing a retirement policy until the late fifties. It seemed to be generally conceded that without the desired early retirement legislation little else could be accomplished.

In April 1959, Mr. Gordon M. Stewart, Director of Personnel, discussed the establishment of an Agency Retirement Board at a meeting of the Career Council.<sup>18/</sup> The proposal involved a small board which, rather than being concerned with case-by-case reviews, would review the work of an Executive Secretary who would be provided by the Director of Personnel. The Executive Secretary would, as a matter of practice, ascertain by interview or letter the retirement plans of all personnel approaching retirement age. It was reasoned that if people

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knew they were going to be approached on the subject and were aware of this well in advance, their reactions to offers of assistance and counseling in advance of retirement, would be considerably more positive. Under such conditions it was thought that discussions in depth which involved setting a retirement date might be more fruitful. The Council members endorsed the concept and agreed that it should be adopted. It was thought possible that the plan would be even more useful if and when early retirement legislation were passed.<sup>19/</sup>

In July 1959, Mr. Stewart briefed members of his staff meeting on his views regarding a Retirement Board as follows:

The plan for such a Board provides for careful consideration of the retirement plans of Agency employees as they reach an age at which their length of service qualified them for optional retirement under the Civil Service Retirement Act. It is designed to bring about a judicious review of the individual's current and prospective usefulness to the Agency if he were to remain until mandatory retirement.<sup>20/</sup>

The plan involved rather detailed procedures within the Office of Personnel with a slight departure from the concept outlined at the Career Council:

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... names would ... be brought up with the Retirement Board for discussion and determination regarding whether the individuals should be approached regarding optional retirement. No individual will be approached without the approval of the Board and the concurrence of his career service.21/

That there was intent that this mechanism was to be equipped with teeth was patently clear:

When a reasonable period of time has elapsed and an individual has not followed through on retirement, or if he has expressed reluctance or unwillingness to do so, he will be afforded an opportunity to present his case to the Retirement Board which will determine whether he should be retained or referred to the Special Assistant to the Director of Personnel to institute involuntary separation proceedings.22/

In a memorandum for the Director of Central Intelligence dated 17 September 1959 requesting that the proposed notice setting up the Retirement Board be approved, Mr. Stewart said in part that

The reason for having such a Board is that employees, as they approach retirement age, are confronted with the decision whether to retire or not. It is important that in making this decision they have the benefit of sound advice. Furthermore, from a manpower point of view, we believe that *the Agency will be better off in the future if it becomes accepted practice for employees to retire when they can, unless they are asked to remain in service.*23/ [Emphasis supplied.]

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As far as is known, this is the first appearance of this type of philosophy in the Agency. Later in the same memorandum it appears in a slightly different form:

It will be explained to each individual that it is the practice in this Agency that one retires when eligible unless asked to remain.24/

The body of the memorandum contained the information that the proposed notice had been concurred in by the Deputy Director for Intelligence (DDI), the Deputy Director for Plans (DDP), the Deputy Director for Support (DDS), the General Counsel, and the Inspector General, all of whom, incidentally, were members of the Career Council which had approved the proposal initially.

The concurrence of the DDI in this approach is interesting in itself. As will be seen later, senior officials in that directorate had significantly different views on the subject of "retiring when eligible." There were clear indications that there was some disagreement with the approach taken in the proposed notice. In a meeting between the Board's Executive Secretary Designate and the DDI

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Administrative Officer, which took place about 90 days after the proposed notice was forwarded to the Director, it was learned that the representative of the DDI ( [REDACTED] ) interpreted the notice rather differently than some when he noted that DDI policy

... goes along with "asked to remain in service" but does not say that "an employee will normally retire when he becomes eligible for retirement";

... asked that all eligible personnel be interviewed to determine their intentions, personal and financial circumstances, without pressure of any kind in the direction of retirement;

... intends to use this announcement to start eligible people thinking about retirement;

... indicates that the DD/I believes that their situation is far different from that of the DD/P; that there are any number of eligible people who are doing a satisfactory job and should neither be asked to remain or to leave.<sup>25/</sup>

The notice, signed by the DCI, appeared three weeks later on 5 January 1960.<sup>26/</sup> The Agency had taken a long step, despite indications of differences, in departing from the traditional, rather permissive approach to retirement existing in most agencies of the Government. It was characteristic of most

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Government employees that they believed that the decision to retire rested with them, assuming of course that their performance on the job remained at acceptable levels. To put it another way, they felt that as a matter of right the option to work until they reached mandatory retirement age was theirs. In the Agency the option appeared to be with the employee no longer since:

The Board will act with the understanding that it is the practice of this Agency that an employee will normally retire when he becomes eligible for retirement unless he is asked to remain in service. In reaching decisions the Board will give full consideration to the personal plans, preferences of each employee.27/

B. The New Board at Work

The Retirement Board held its first meeting on 20 January 1960. [REDACTED], the Board's Executive Secretary, reported that after numerous interviews with people at or approaching retirement age the problem cases being surfaced appeared

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... to fall into groups - those individuals who, because of financial commitments feel that they cannot consider

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retirement in the immediate future, and those who are happy in their positions, would not accept employment after retirement from CIA, and have no intention of retiring until mandatory conditions are met.28/

The board members agreed that as a procedural matter they would review problem cases only. They were most interested in any procedures which might be established within the directorates. The chairman stressed the desirability of general uniformity on procedural matters. However, differences were already apparent. Dr. Otto E. Guthe, the DDI representative, thought that a number of cases in the DDI area would develop into problem situations.

Dr. Guthe noted that the DD/P had taken a more positive and firm attitude than the DD/I, that, while every DD/I eligible had been interviewed, no one [in the DD/I Area] had been informed that he was not being asked to remain.29/

The situation in respect to procedures in the other directorates, and the reactions of employees who were contacted, were not as precise. However, there were indications that resistance to the new policy was developing.30/

Clarification of procedure and policy on retirement within the Support Directorate was not

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long in coming. On 26 February 1960, Colonel Lawrence K. White, the DDS, advised the Retirement Board of the following:

In order to comply with the spirit and intent of the referenced notice, I believe that once the program has been implemented and all employees have had reasonable notice they should retire when eligible except when for cogent reasons they are asked to remain.

Variance in the personnel needs of the three major agency components may necessitate application of different criteria in that it would be desirable to have an Agency policy rather than a separate one for each major component.

I propose, if the Retirement Board concurs, to use the following retirement procedures in DD/S components.

Employees eligible for retirement at the time of the issuance of the reference and those who become eligible between 5 January 1960 and 30 June 1961 will retire no later than 30 June 1961. As of 1 July 1961 employees will retire as they become eligible.

The Heads of Offices and Staffs may request individual exceptions to this policy subject to my approval. However, I wish to stress that these exceptions should be limited to those individuals who have unique qualifications, since

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repeated exceptions will greatly weaken the effectiveness of the entire retirement policy.31/

Once policies and procedures within the various directorates were fairly well delineated, it was possible for the board to establish guidelines for its own use. Since the board's procedures were, in effect, interpretation of policy, examination of these procedures in some detail may be useful.

Requests for extensions -- that is, delays of retirement -- were usually submitted by the employee three to six months in advance of the scheduled retirement date. The board was unwilling to consider requests submitted earlier due to the possibility that the individual's circumstances might change. Requests submitted later were unwelcome because a decision could not be rendered on a timely basis. The board required that all requests for extensions be forwarded through the head of the individual's career service and the deputy director concerned. Normally, these officers commented on the need for or usefulness of the employee's continued service.

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In attempting to arrive at a judgment as to whether or not the employee's request for an extension should be approved, the board examined the employee's situation in considerable depth. Financial questions involved: the amount of annuity expected; eligibility for Social Security benefits; entitlements from military (Reserve) duty; income from bonds, stocks, other annuities, rents, etc.; and outstanding obligations, including short-term debts, mortgage payments, educational expenses of children, support of other relatives, etc. The board appeared to be equally concerned about how he was doing in his present job.

Factors considered were (1) whether this employee was performing satisfactorily in his present position, (2) whether he was standing in the way of the career advancement of other employees, and (3) whether he would have to be replaced by external recruitment.<sup>32/</sup>

The board's interest was not limited to answers to those questions. It was apparent that the needs of some employees involved working many years beyond the specified retirement date. In this connection

All those requesting extensions were advised that it was their responsibility to seek other employment prior

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to the projected retirement date and if an extension was granted, to actively continue seeking other employment on their own and with the help of the Retiree Placement Service. If a suitable position was found prior to the end of the extension, it was understood that the individual would retire immediately. In some cases the individual had made a concerted effort to find other employment without success. Knowing that an individual had really tried, the Board might in some cases grant a further extension if nothing had been found by the end of the initial extension.33/

The detached observer may wonder at such a broad extension of authority in light of the relatively mild wording of the Headquarters Notice which merely stated that "It is the practice of this Agency that an employee will normally retire when he becomes eligible."34/ One unfamiliar with the circumstances at the time might theorize that certain positive inducements in favor of retirement were offered. That was not the case. There were no special benefits offered or available. Individuals were placed under pressure to afford themselves of retirement benefits which were there for the taking, regardless of Agency policy on the matter. Their entitlements had been earned through years of

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service and cash contribution to the Retirement System. In a literal sense, they were being pressured to retire at the *earliest* date they became eligible which was several years prior to the mandatory retirement date.

Needless to say, there were many who were reluctant to retire when this did not suit their plans or wishes. Yet, many did, and as of the end of 1967 all retirements under the Civil Service Retirement System by personnel below age 70 were considered "voluntary"\* since all such retirements were the result of an application signed by the retiree. In the strictest sense each employee who retired did so on his own volition after he had signed and submitted an application for retirement.

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\* Physical disability retirements are, of course, a different matter.

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V. Retirement Policy in the Clandestine Service

A. Introduction

It was shown in the preceding chapter that Mr. Gordon M. Stewart as Director of Personnel was a prime mover in the formation of a retirement policy for the Agency. He achieved this in the early stages through the establishment of the Agency Retirement Board. Mr. Stewart's interest in the subject of retirement was apparent several years earlier when he served on the CIA Career Council. At a meeting of the Council on 9 September 1955, he spoke at some length on his views regarding early retirement.<sup>35/</sup> He stated that the Clandestine Service probably would want to depend on a relatively young group of personnel and that it would be of very great benefit to the Clandestine Service if some means could be devised whereby an early retirement program could be established. He observed that the Clandestine Service would want to retain some officers above age 50 for administrative duties and senior policy work and that some might even fit into

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other parts of the Agency. On the other hand, he thought it would be a great burden to carry the remainder on the rolls for another fifteen years, particularly in view of the Service's inability to use many of them overseas during these years.<sup>36/</sup>

B. The Need for Legislation

Most discussions of Agency retirement policy or proposed legislation on retirement have resulted in a review of the needs of the Clandestine Service. In effect, the philosophy expressed by the Legislative Task Force in October 1953 regarding the diminishing usefulness of employees past age 50 <sup>37/</sup> had been embraced by the members of the Career Council.\*

By this time, it appeared to have been generally accepted that the needs of the Clandestine Service would have to be met by legislation

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\* Other members of the Council present at the meeting were: Harrison G. Reynolds, Director of Personnel; Sherman Kent, alternate for the Deputy Director for Intelligence; Lyman B. Kirkpatrick, Jr., Inspector General; H. Gates Lloyd, Assistant Deputy Director for Support; [REDACTED] Director of Communications; [REDACTED], Executive Officer, Office of Training.

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providing for early retirement. However, the question remained as to how such legislation might be justified. In October 1957 the situation was summarized as follows by [REDACTED] the Agency's Legislative Counsel: 25X1A

Although the Bureau of the Budget and the Civil Service Commission both favor some form of special consideration to civilian employees of the Government who have served for long periods in foreign countries and who in effect have made a career of service overseas, they are not in favor of the retirement proposal as submitted by the Agency.\* Exception is taken to our proposal both in substance and in form. As in other personnel matters, the Commission favors a uniform retirement plan for *all* civilian employees serving long periods overseas. In addition the Commission views our proposal as too liberal unless particular circumstances attach to particular assignments. They also feel that any such liberalized retirement plan should be integrated into a selection-out program, such as the program delineated in the Foreign Service Act.39/

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\* This Bill provided for voluntary retirement at age 50 with 20 years of Federal Service, 10 years with the Agency, at least 5 years overseas with the Agency, and at least 40 percent of such service with the Agency prior to age 50 to have been served overseas. Additional credit was to be granted for overseas service in computing the annuity.38/

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While awaiting passage of the desired legislation, Mr. Lyman B. Kirkpatrick, Jr. continued to demonstrate his strong interest in the subject of accelerated retirement. He wrote to the Director of Personnel saying,

The more I think about it, the more I feel that this is one Agency problem that must be attacked from several different angles inasmuch as I see no possibility of any one solution.40/

In order to supplement whatever retirement legislation might be passed, he urged the assignment of a number of personnel "with certain special talents" to other agencies of the Government; the outplacement of employees with industry, universities, and foundations; and location of senior CS personnel in long-term, deep cover positions overseas with a financial supplement in addition to retirement annuities be arranged.41/ The thrust of his thinking at this time in relation to "senior personnel who have passed the period of greatest usefulness" was as follows:

It seems to me that we are now approaching this problem from the right direction and if we couple it with some form of mandatory retirement, we may be able to arrive at a solution which will enable a fair proportion of senior professionals in the Clandestine Services to retire at the 50-55 age bracket.42/

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At about the same time,\* discussions were under way in the Office of Personnel which were designed to lead to the identification of meaningful personnel problems then facing the Agency which might be presented to the Killian Committee. Several problems were submitted to the DDS (Colonel Lawrence K. White) for his consideration. One of them, which identifies the need for a young work force, is of particular interest.

The problems of personnel morale found in all Government agencies, are aggravated in CIA by the special need for a young work force. Keeping a youthful work force and still abiding by Government regulations and practices under our democratic American system causes much frustration for the Agency group which is responsible for clandestine activities. Older employees, keenly interested in job security, wish to remain in the Agency until they are eligible to receive retirement benefits. Attrition of younger career personnel in the middle and upper grade levels increases when these individuals realize that their chance of advancement to higher grades is diminished by the fact that these positions are now filled by able men who will remain in the Agency before retiring. Among these are the "hangers-on" who are extremely difficult to identify and then to separate when identified. Individuals who are doers

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\* Late November 1957.

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in the Agency often feel stymied and resent, and often rightfully so, the tendency of persons in control placing job security above getting the job done.43/

This approach to a large problem has been quoted at length because it is probable that these ideas reflected the views of a young and forceful element of the Agency's population. In addition to the young and ambitious junior officers, there were undoubtedly many who were not as young but, nevertheless, still extremely ambitious and ready to support any concerted effort to make more room at the top. Colonel White's comment on the foregoing statement is indicative of management's concern with the issue.

This is a real problem. However, we should insure that we are not talking about Government regulations which we have the legal authority to ignore if we choose. As a problem, however, tied in with selection-out and early retirement, this would appear to be a good one [for the Killian Committee to consider].44/

One other problem thought worthy of presentation to the Killian Committee for consideration concerned a topic entitled "The Development of Career Officers," and, once again, problems associated with the Clandestine Service were highlighted.

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The present terrific pressures for current intelligence make the long-time development of many of our career officers impossible. The increasing need for on-the-spot observers and agent handlers does not allow time to put these individuals through the step-by-step journeyman stages. Young men who become activists without any experience or training as generalists have little future in the Agency after they reach the age of 45, when for numerous reasons such as health, family responsibilities, etc., many individuals are no longer able to perform overseas.<sup>45/</sup>

C. The "Hump Study"

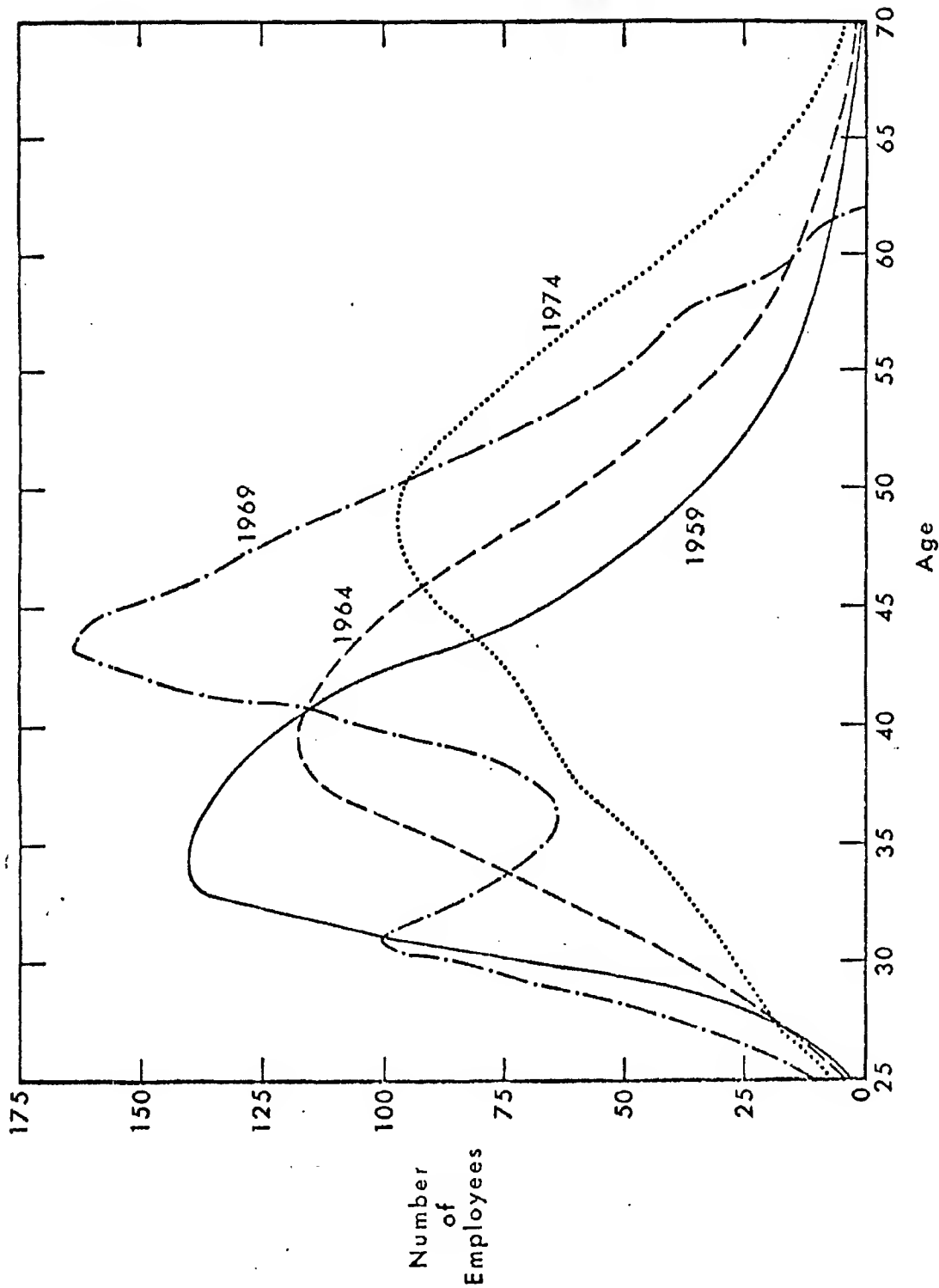
Presumably, many who agreed with these positions were given a firmer foundation for their opinions with the appearance of what is now called the "Hump Study" in November 1959.<sup>46/</sup> The "Hump Study" was a paper prepared within the Office of Personnel entitled "A Manpower Control Program for the Clandestine Services." Attached to the study were graphs\* designed to show the congestion existing among certain age groups in the Clandestine Service. Accompanying the Study were drafts of proposed Agency Regulations

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\* See the accompanying graph. For a discussion of the graph, see the "Hump Study" (source 46).

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Current and Projected CSCS Age Distribution  
(D, DP, DI, DM Males GS-9 and Above)



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25X1A [REDACTED] plus a Handbook implementing

25X1A [REDACTED] prescribed a means  
of separating from Agency employment those employees  
identified as surplus to the needs of the Agency.

25X1A Regulation [REDACTED] was designed to soften the blow  
of separation by providing separation compensation  
in some cases.\*\*\*\*

The following concept explored in the study  
is worthy of review in some detail:

Our statistical studies of Agency Man-  
power have led us to the conclusion that  
the Clandestine Services Career Service  
will not be able to maintain its present  
level of operational activity unless  
steps are taken to provide for the re-  
cruitment into it annually of a substan-  
tial number of capable young officers and  
for their advancement at a reasonable  
pace. To be able to recruit these young  
officers, the service must separate an  
equal number annually. To be able to  
promote them, a means must be found to  
effect such separations among personnel

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\* Separation of Surplus Personnel.

\*\* Separation Compensation.

\*\*\* [Procedures for] Separation of Surplus Personnel.

\*\*\*\* The "701 Exercise" which is beyond the scope  
of this study, is discussed in DDS Historical Series  
OP-2, *Reluctant Retirees: Outplacement, "Second-  
Career Counseling," and Retiree Placement, 1957-67.*

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occupying medium and higher grades. Attrition does not at present accomplish this nor will it in the future.47/

In addition, there was found to be an imbalance as to age and grade distribution of male officers. The existing attrition rates, plus retirements under the Civil Service Retirement System, "show that the Clandestine Services will be staffed by a predominantly old group of employees by 1974."48/ In order to correct this situation

... the Clandestine Services must take steps to achieve an acceptable distribution of personnel by age groups and must also be equipped with the legal and administrative authority needed to maintain such a distribution. As a first step, we have drawn up what would appear to be a reasonable distribution of Clandestine Services personnel by age groups and also a distribution of positions or spaces by grades.49/

On the assumption that these goals were desirable, it then became necessary to establish

... the legal authorities required to separate personnel involuntarily and to grant separation pay ... to those who qualify ... ;

... the procedures to be followed in identifying personnel to be separated and those to be granted benefits; and ...

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... an estimate of the effect ... on morale and on the Agency's efforts to recruit personnel.50/

The question of legal authority was resolved on the basis that section 102(c) of the National Security Act of 1947, as amended, contained the authority necessary to separate any surplus personnel. As to the procedural question, it was intended that the category of personnel designated as "surplus"

... would include those individuals who are part of the hump and ... not ... restrict this category to those affected by an overall reduction in staff strength.51/

No proposal was offered as to how the effect on morale would be measured. It was felt that since there could be no amelioration of the hurt, the best approach was, as Mr. Stewart put it, "do it as quickly as possible, and then start afresh. Take your public beating, and expect that the incident will soon be forgotten."52/

The last point of significance to be made in relation to the presentation of the "Hump" concept is found in the transmittal memorandum to the Deputy Director of Central Intelligence (General Charles P. Cabell).



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Regulation [REDACTED] is intended for use both as an instrument in effecting manpower control operations in the interest of long-range planning and as an instrument to be used in any planned reduction in staff. It is therefore applicable to the DD/I and DD/S services as well as to the DD/P. The procedures as given ... [for] the Clandestine Services can easily be altered to fit the need to effect a reduction in staff. It will be seen that once it is established that a career service is over-strength for any reason the steps prescribed in [REDACTED] will be applicable. 53/

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The space devoted to the analysis of the "Hump Study" may be more extensive than necessary; however, it seems such detail is necessary if one is to speculate as to how much weight this study carried in the development of retirement policy. Certainly the concept of the "Hump" - depicted as a mountain on graph paper - moving inexorably to the right, evokes thoughts of tragic consequences for the Agency as a huge proportion of the Agency population retires or dies all at once. It seemed evident from these presentations that a clear need for an early retirement program had been demonstrated. The specifics of the age-grade congestion were now apparent.

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D. The New Retirement Policy

It is apparent that much work was done within the Clandestine Service in advance of the activation of the Retirement Board; in fact, it is probable that senior officials were made aware of the conclusions contained in the "Hump Study" prior to its publication.<sup>54/</sup> At any rate, on 1 December 1959 the DDP (Mr. Richard M. Bissell, Jr.) stated that he had completed a review of the status of personnel in his directorate who were eligible to retire.<sup>55/</sup> His directions to staff and division chiefs within the DDP complex outlined his policy, as well as the procedures to be followed:

I request that you or your deputy arrange for an early interview with those persons now in Headquarters where a decision has been made to postpone retirement for a time. This interview should stress the details of a proposed Agency Notice, an advance copy of which is ... attached on a restricted basis, and the fact that you and I would like to avail ourselves of their continued service for the stated period. During this interview I would like for you and the individual to come to an agreement on the date of retirement. Thereafter I shall expect the agreement to be fulfilled unless you obtain my concurrence in an extension for cogent reasons  
....

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For those persons whom we feel should retire as early as possible, the Director of Personnel has designated the Executive Secretary of the Agency Retirement Board ... as the individual responsible for conducting personal counseling interviews. If the individual ... indicates ... that he is not prepared to retire within the following eighteen months, he will be invited to discuss the subject with one of the Board members. The Board will then review his case and render a decision as to the length of time the individual will be expected to remain in Agency employment:56/

E. Retirement Policy and the Public

In the years which followed, few changes in this procedure were made, although one refinement involved a distinction between "need for continued service" and extensions for "compassionate" reasons.57/ In the latter case extensions were based on financial hardship. Projections as of June 1961, showed that annuities would range from \$663 to \$3,231\* and average approximately \$1,500.58/ Confronted with these appalling figures, the Agency adopted, rather

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\* In terms of 1971, these annuities are barely believable. It must be remembered, however, that annuities at that time were still based on the "high-five" and that they predated the many legislative pay increases passed by Congress later in the sixties.

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belatedly, a policy that recruitment would be limited on the whole to individuals who, upon entrance on duty, could be expected to have sufficient time remaining in their working careers so that they would qualify for full annuities at age 62. Of course there was the usual proviso for exceptions.59/

In April 1961, the Agency's policy on retirement was the subject of a column in *The Washington Star*. Joseph Young, the author, seemed to have a clear understanding of developments on this subject within the Agency. He wrote that the new policy "would give younger employees a greater chance of promotion to more important assignments."60/ After reviewing the rules governing retirement under the Civil Service System, he commented that

Some CIA employees are unhappy over the new policy, declaring that the Government is losing some of its best talents with many years of invaluable service and experience behind them.

CIA officials say they are not "forcing" the employees to retire, but admit they

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have not yet had any cases where employees asked to retire have not agreed to do so.\*61/

He said a check with the Civil Service Commission revealed that the Commission had no intention of adopting CIA's approach.

However, there would be nothing to prevent departments and agencies to adopt (sic) a policy "encouraging" employees to retire at age 60 or 62 if they were eligible for full retirement benefits, it was conceded. But CSC officials say they know of no such policy being considered by the Kennedy Administration.62/

The Agency's policy had been in force over a year at this point. Mr. Young's article, among other things, prompted a review of the status of the retirement program by the Career Council. When asked to comment on the activities of the Board, Mr. Lawrence R. Houston, Chairman of the Board (and the Agency's General Counsel), commented as follows:

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We started to work - [REDACTED] Otto Guthe, and myself - a year ago January ... we have gone ahead and developed

\* A typewritten note attached to a copy of the article reads as follows: [REDACTED] said that Col. White indicated that he gave out the info to Joe Young. BB" The initials are those of [REDACTED] Executive Officer, Office of Personnel.

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working arrangements for the Board and its Executive Secretary, and policy statements which I believe are within the Director's overall policy but differ somewhat for the three major components. The DD/P is the most stringent; in fact very, very few policy exceptions are made by him - and he wanted the earliest possible action on those eligible. The other extreme is the DD/I, who has a good many people who work well and sometimes better as they get older - even after the mandatory retirement age; however, the DD/I follows the policy but in a somewhat more elastic manner than the DD/P. The DD/S is closer to the DD/P but has a little more elasticity in its application.63/

After reviewing the statistics of the year's activity, Mr. Houston gave the Council his views on the force of their methods in support of the program in the handling of certain difficult cases.

At the present time there is only one Agency employee flatly fighting retirement ... saying he won't do anything about retiring, although he is currently eligible, and that is a special case, because his case is up in the Director's office for possible separation on other grounds. [REDACTED] \* is the only other one who indicated he might not accept the policy as applied to him, but

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\* An OTR employee, GS-13, age 63. This case is discussed at greater length in the chapter dealing with the Support Directorate.

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he has come a long way around. It's quite interesting - some of the ones who were adamant at first either by persuasion or some other approach have come around.64/

In effect, the last sentence of the foregoing quotation epitomizes the practice and the power of the Board. While it is not suggested that harassment was the tactic, it is known that the pressure on those eligible to retire was unrelenting. Again, speaking of the work of the Board, Mr. Houston said; "I think this brings pretty hard pressure on the guy. That is, as far as I can see, the main function of the Retirement Board at this time."65/ He went on to say that this role was necessary in view of the Director's unwillingness to use his authority to enforce retirement.

F. Conclusions

The initial phase of the development of retirement policy in the Clandestine Service was so closely associated with the administration of the Retirement Board that they were barely separable. It was seen that the DDP had previously determined his policy and was poised to make his pronouncements with the publication of the Agency Notice in January 1960.

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In the next several years little change in policy was noted. These years were largely a period of implementing a policy having great initial impact on a group relatively small in size, but the long-range implications were of very broad proportions in light of the fact that sooner or later everyone would be affected.

In reviewing the workings of the board as it made and administered policy, discussions relating to the impact of them on various employees have been avoided in the interest of limiting discussion to the broader aspects of the problem. Many references have been made to the matter of morale, but management, generally, appeared to think that the impact of the Agency's retirement policy on morale had been exaggerated. However, it is known that a number of employees whose plans for the future were abruptly altered by the new policy felt that there had been significant impact on morale. Cases which support this statement will be discussed later.

It seems beyond challenge that (1) the pressure effected by the Agency Retirement Board on the more elderly population of the Agency, (2) the elimination

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of "surplus" personnel, and (3) the predictable effects of early retirement legislation represented a powerful and well-balanced program designed to change the character of the Agency's population and equip it well for the years ahead. It could not be foreseen that the "701 Exercise," as it came to be known, would be such a failure and that another five years would elapse before Congress passed the much-needed retirement legislation.\* The absence of new retirement legislation probably resulted in even greater pressure to obtain results from the "701 Exercise." In the absence of the retirement law and the failure of the "701 Exercise," the pressure to move people out as "voluntary" retirees through the Retirement Board mechanism was accentuated.

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\* See DDS Historical Series, OP-2 (footnote \*\*\*\*, page 40, above).

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## VI. Retirement Policy and the Support Services

### A. Introduction

Some difficulty was encountered in arriving at an acceptable methodology for the study of the development of retirement policy in the Support Services. While the Support Services shared certain of the problems of the Clandestine Service in respect to the age curve and cover considerations, it was never shown that the problems in the Support Services were as pressing. In the development of retirement policies, and, later, in the administration thereof, the Clandestine Service and the Intelligence Directorate were able to adopt policies which were singularly direct and clearly adaptable to their purposes. The Support Services, on the other hand, consisted of a large variety of occupational groups, many of which were not noticeably different in their more general duties from occupational groups employed by other agencies and departments of the Government. Moderating this similarity with other agencies, however, was the fact that careerists in the Support Services

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probably would be called upon to serve tours in the other directorates in the performance of their support functions. The significance of this, of course, was that the need for mobility and general conformity with the characteristics of the receiving components was introduced. As a consequence, the DDS found it "desirable to have an Agency policy rather than a separate one for each major component."66/

Pronouncement of a policy was one thing, adhering to it was another. From its inception, the Support Services employed many people who had worked in other parts of the Government. As a consequence, they had come to take for granted the guarantees and rights accorded employees subject to the personnel policies of Civil Service. Therefore, the rather abrupt change in Agency retirement policy appears to have had a more noticeable impact on people in the Support Services than elsewhere in the organization.

Development of retirement policy in the Support Services in the early sixties was a fairly uncomplicated process and was, of course, consistent with the notice of 5 January 1960.67/ Implementation

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during the years which followed was likewise consistent, and took place within the framework of Colonel White's previously discussed statement of policy guidance to the Retirement Board.\*68/ It appears, however, that the real story of the impact of the retirement policy within the Support Services can best be told by examining some of the challenges to the policies raised by individual support officers. Some representative cases are discussed in the following pages to illustrate this point.

25X1A B. The [REDACTED] Case

On 28 January 1960, hardly more than three weeks after the appearance of the notice establishing the Agency Retirement Board, [REDACTED]

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25X1A [REDACTED], Office of Training Careerist (grade GS-13, age 62), requested an appointment with the Chairman of the Retirement Board, Mr. Lawrence R. Houston. Mr. Houston gave the following account of this interview:

25X1A [REDACTED] said he initially was informed by his supervisor that the

\* See pp. 27 ff.

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Director was invoking his statutory authority to effect retirement at the proper time and that, therefore [REDACTED] would retire on 1 July 1960. [REDACTED] said he discussed all his retirement benefits and related matters with Personnel officials and was then told by his supervisor that he had been in error as to the threat of termination but that his retirement was still desired as of 1 July 1960.

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[REDACTED] said subsequent to this he found that a number of people he knew in the Agency in their 60's were perturbed about the retirement program and not clear as to how it would operate and he wished to know if the program had been further defined. I told him the Board was still feeling its way but that basically it was clear that there was no legal compulsion involved. I said our aim was to approach this matter in an orderly way and, therefore, the Office of Personnel ... was doing the staff work for the Board and would approach each Agency employee of retirement age, except those who had been designated for retention for special skills or capabilities.

I said that as I saw it there would be three general categories which would come up for review. A certain number of people had already indicated that they were thinking of retiring and had presented retirement plans which were quite compatible with Agency wishes. At the other end there might be people of retirement age who would appear to their supervisors to be no

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longer qualified to perform their duties and that they would not come under the Retirement Board but would be handled through other procedures appropriate to their situations. The Board's concern was primarily with the middle group -- those we would retire at an early date under the Agency's policy but who, for any of a variety of reasons, do not want to retire until a later date . . . . I said the aim was for the Board, as objectively as possible, to compare the individual's desire with the stated needs of the Agency and try to arrive at a reasonable retirement plan . . . . There would be no further compulsion on the man than the knowledge of the Agency's desire, but there is no question that this would exert pressure in varying degrees in varying cases.<sup>69/</sup>

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██████████ won a delay in the retirement deadline given him, but about a year later reopened the issue with a letter to the Director which was referred to the Inspector General, Mr. Lyman B. Kirkpatrick, Jr. Mr. Kirkpatrick chose this occasion to suggest a re-examination of Agency policy on retirement. In doing so, he noted that Mr.

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██████████ latest communication was "not an appeal for relief in his own case, but rather a mere expression of his strongly held views."<sup>70/</sup> In connection with this point, Mr. Kirkpatrick noted that

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Mr. Houston had suggested that an investigation might disclose whether or not there might be a considerable body of unexpressed resentment against the program. Mr. Kirkpatrick reported that his own staff had informed him that:

... there is currently no considerable amount of resentment against the program, although several of the employees affected have protested that since they entered on duty relying upon the provisions of Agency regulations and Civil Service legislation providing a mandatory retirement age of 70, the introduction of the pressures of the voluntary retirement program which causes some but not all employees to retire at age 62 constitutes an unfair change of the rules.\*71/

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[REDACTED] was not easily discouraged.

Letters written by him in May 1961 produced a rather strongly worded memorandum from Mr. Houston. Clearly, the time for plain talk had arrived:

Since the Civil Service Commission is responsible for all normal Government employment policy, the fact that we consulted it and got its endorsement [of our policy] certainly cannot be considered meaningless.

\* Mr. Kirkpatrick also indicated that in his mind questions had arisen as to the efficacy of the policy as it had been presented to Agency personnel and the practices which followed from it. The issues raised by him are part of a larger discussion covered later in this history.

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... I think that it would be fair to say that we are at least as concerned as you with the problems of morale in the Agency ... .

... we cannot prevent you from addressing a letter to the President. However, you should understand that prior to its adoption the Agency's policy on retirement was cleared with all appropriate components of the Executive Branch, including the White House, and with appropriate congressional committees.

... there is nothing incompatible in regulations which say that we will participate in Civil Service retirement and which point out a compulsory retirement age of 70 and a policy that employees in this Agency will retire earlier if eligible for their normal benefits. I believe your logic is faulty in saying that these regulations establish a compact ... .

... we cannot prevent you from talking, writing, or forming groups on this subject, but in view of the fact that the retirement policy is firmly established ... any activities such as suggested by you can only be corrosive in their effect. I would advise against them.

I have talked these matters over with you personally at some length; the Retirement Board has considered a series of letters or memoranda from you; I have asked the Inspector General to take action on a letter you addressed to the Director, and he has done so; and the Director

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himself has responded to you. It seems to me that the time has come to call a halt.\*72/

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The [REDACTED] case and the long-drawn-out exchange of correspondence came to an end with Mr.

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[REDACTED] termination on 6 April 1962.\*\* In many ways this case, except for its final disposition, was typical of several which arose in the Support Services. The attitude of disbelief on learning that retirement must take place on rather short notice was observable in many instances. "Why me?" was a phrase frequently used. "But I thought I could stay until age 70" was another.\*\*\*

\* It will be recalled that during this period Mr. Houston, as General Counsel, reported to the DDS. Therefore, in preparing this correspondence he was acting as the representative of the DDS as well as in his capacity as Chairman of the Retirement Board.

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\*\* At the same time that these exchanges of correspondence were taking place [REDACTED] was in the process of being separated as "surplus" under the terms of [REDACTED] formerly known as [REDACTED]. After an unsuccessful appeal to the Director, Mr. John S. McCone, [REDACTED] was terminated pursuant to the terms of section 102(c) of the National Security Act of 1947.

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\*\*\* There is little, if any, documentation in support of these comments, but many Agency Personnel Officers who were involved in counseling the people who were affected recall the unhappiness voiced by the targets of the Agency's retirement policy in the first two or three years of its operation.

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The [REDACTED] case was also significant in that the fist of iron concealed in the velvet glove was rather clearly revealed. In effect, the Agency lost patience with him. His threats went unheeded -- his bluff was called. In the end, he apparently decided not to have recourse to the only avenue which might conceivably have led to resolution of the issue in his favor - the Courts. He did seek assistance from Senator Byrd of Virginia, who appeared to have been satisfied with the explanation given him by the Agency.

C. Printing Plant Personnel

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Although [REDACTED] was unable to gain acceptance for his argument that the Agency's early regulation on retirement constituted a compact with its employees, a closely related variation of the same argument was in the making. In May 1961, the Director of Logistics (Mr. James A. Garrison), in a memorandum to the DDS, had proposed that eight employees in the Printing Services Division, who were then eligible for retirement, be allowed to defer their retirement for varying periods. Three

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principal arguments were offered in support of this proposal. One was based on financial hardship; one on quality of work done by the employees; and the last was based on the organization's commitment to its employees. In relation to the first two arguments in support of retention, the Director of Logistics stated that:

Many of our employees at the lower grades who are now eligible for retirement, will face severe financial hardships if forced to retire. Their reluctance to retire has resulted, in nearly every instance, in requests to remain beyond optional retirement dates. In addition to the common financial problem, we have noted that supervisors have uniformly supported continued employment on the grounds that (a) replacements would be recruited at or near the same level, (b) no headroom would be created by the retirement, and (c) production of these employees is highly satisfactory. In fact, supervisors consider these employees distinct assets to their organizations.73/

Pleas of this type had been presented on behalf of retirement eligibles on many occasions prior to this appeal. Of special importance in this instance was the fact that several of the named employees had at one time worked for the Government Printing Office (GPO) branch which was located in what was then known as the Agency's Administration Building. In

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January 1957 the Agency absorbed this plant and most of the GPO people employed there. The GPO employees transferring to the Agency did so voluntarily, after having been given assurances that their conditions of employment would remain essentially the same as they had been under GPO. In retrospect, it appears that the Director of Logistics may have missed the significance of the commitments to the GPO personnel because his language on the subject would seem to have been rather mild:

Insistence on their retirement prior to their attaining mandatory retirement age establishes ground rules quite different from those of the GPO. To our knowledge, none of our employees have raised this point, but strict adherence to Agency policy would appear to represent a break in faith.74/

The Director of Personnel, Mr. Emmett D. Echols, was asked to review Mr. Garrison's memorandum and forward recommendations to the DDS. Mr. Echols apparently had no opinion on the issue of the commitment to the former GPO employees, and chose to discuss the matter in relation to the merits of the various cases as they had been presented. In his reply to the DDS, he said:

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I think it would be consistent with the discussion at the recent Career Council Meeting regarding retirement for you to approve these cases and recommend that you do so. I would suggest, however, that you stipulate that each case be reviewed annually to be sure that the conditions warranting extension still obtain . . . . If, for any reason, such review should indicate that continued extension is not appropriate, I believe the individuals concerned should be given adequate time to adjust their personal planning to an advance in their retirement dates.75/

The DDS approved the memorandum and the various extensions as proposed by the Director of Logistics with no reference to the commitment issue.\*

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D. [REDACTED]

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[REDACTED] was one of those who saw no reason why she should retire. She asked for and obtained an appointment with Colonel Lawrence K. White, the DDS, on 9 March 1961. Her purpose was to ask that she not be required to retire on 30 June 1961.

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[REDACTED], a Grade GS-09 Illustrator, assigned to

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\* The question of the commitment to GPO personnel was resolved in May 1968, when it was determined by the DCI that GPO people on duty at the time they were absorbed might remain on duty until age 70 if they elected to do so. There is a memorandum in the file of each to reflect this determination.

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the Visual Aids Unit of the Office of the Special Support Assistant, DDS (SSA-DDS), was then 62 years of age. She told Colonel White that she had been with the Agency for approximately eighteen years, that she enjoyed her work and felt confident that she did it well, and that she preferred not to terminate her employment inasmuch as she believed she could continue to do her work as well as anyone else for some time to come; more particularly, because she felt that it would be difficult to find other employment at an adequate salary at her age. Colonel White summarized the conversation and his position on this matter as follows:

I explained to [REDACTED] that the Agency had adopted its retirement policy in order to try to bring in new blood and establish a healthier over-all age-in-grade structure. I also explained that it was our hope that we could reach mutually satisfactory arrangements with personnel affected by the policy and that we had no wish to be unreasonable in this regard; however, I felt that she must think positively about separating herself at some time in the not too distant future and that she should not expect to remain on the Agency's rolls indefinitely.

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25X1A While not happy about this situation, [REDACTED] understands it and is anxious to have the matter settled

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as soon as possible. She indicated to me that she certainly would do some positive thinking about the matter and explore outside possibilities of employment. In this connection I advised that our Outplacement Service in the Office of Personnel might be of considerable help to her and pointed out that it might be entirely possible that her skills were easily marketable and that she could re-establish herself without too much delay.76/

25X1A [REDACTED] took her case to the Retirement Board which approved two consecutive one-year extensions. She finally retired in December 1963 - the month of her 65th birthday.

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E. [REDACTED]

These two gentlemen had reached optional retirement age by the spring of 1961. Both were grade GS-14 logistics officers. [REDACTED] desired a two-year extension, and [REDACTED] wished to remain on duty indefinitely. The Director of Logistics (Mr. James A. Garrison) recommended that

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[REDACTED] request for a two-year extension

be approved and recommended a one-year extension

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for [REDACTED].77/ On 25 April 1961 the

Director of Personnel discussed these cases with

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the DDS, with the result that Mr. Echols advised the Director of Logistics that

In brief, Colonel White will approve the proposed retirement dates provided the plans are firm and are accepted by the principals. Should the individuals not agree, they must present their appeals to the Retirement Board.<sup>78/</sup>

Mr. Echols went on to reiterate Colonel White's policy statement of 26 February 1960 to the effect that requests for extensions should be based on the need to retain individuals possessing unique qualifications.<sup>79/</sup> Both officers retired at the expiration of their extensions.

#### F. Conclusions

The cases described in the preceding pages serve to illustrate that the varying degrees of pressure brought to bear on employees eligible to retire were, in the opinion of many observers, surprisingly effective. Several unhappy individuals seemed to be headed for the courts charging "break in faith," "violation of a compact," or "failure to meet commitments" in respect to opportunities to complete goals of service, average salary level, or

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financial objectives. However painful the circumstances or difficult the employees, all such cases were resolved short of litigation.

In discussions of retirement policy in the Agency, much was made of the effect of such a policy on morale, but no meaningful effort was made to assess its impact. In all probability, no purpose would have been served in conducting such an assessment. The Agency had decided to forge ahead on its program, and, since no formidable obstacles were encountered once the program was under way, there were no convincing arguments supporting major changes in the approach. There was considerable evidence of dissatisfaction with the program at senior management levels, but that was not to come to a head for several years.

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## VII. Retirement Happenings in the Intelligence Directorate

### A. Introduction

As already indicated,\* managers in the Intelligence Directorate saw no urgent need for a retirement policy other than that being followed in most agencies of the Government. They probably were singularly unimpressed by the problems associated with integration into various cover situations of aging CS personnel. Problems associated with rotation of personnel with growing children seemed to be of remote interest. There was no pressure emanating from the DDI Area in support of the passage of early retirement legislation. Obviously, the DDI regarded the older people in his component in a rather different light than did his confreres. In view of this, it seems strange that the DDI, Mr. Robert Amory, failed to voice any opposition to the Director of Personnel's approach at the Career Council Meeting in April 1959.<sup>80</sup> Nor was there any serious

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\* See p. 23 of this report.

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objection interposed when the proposal was in the process of being formalized in a recommendation for the approval of the DCI.<sup>81/</sup> It must be assumed that Mr. Amory viewed the proposed policy as being so broad and flexible that it represented no conflict with his philosophy and could be administered in the DDI Area without difficulty.

B. The Approach to Policy

Whatever the reasons were that prompted Mr. Amory to concur in the policy issuance of January 1960, it soon became evident that the policy would be administered somewhat differently within the DDI Area. At the first meeting of the Retirement Board, the DDI representative, Dr. Otto Guthe, was reported as having

... noted that the DD/P had taken a more positive and firm attitude than the DD/I, that while even DD/I [retirement] eligibles had been interviewed no one had been informed that he was not being asked to remain.<sup>82/</sup>

In June of the same year, a DDI Notice was issued on the subject of "DDI Retirement Procedures." These procedures were consistent with those established by the Retirement Board, but the application

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of these procedures was, it appeared, along considerably more permissive lines. For example, senior officials were advised that they should

... inform the employee that continuance of his services will be recommended to the DD/I, subject to annual review, for an *indefinite* period beyond his eligibility date because of the unique or special skills and competence he possesses which are needed by the Office; or ...

... ask the employee to continue his service to an agreed future date ... acceptable to the Office and the DD/I, also subject annually to revision of agreed date, because of the *demonstrated value and quality* of his continuing contribution to the mission of the Office; or ...

... tell the employee that he is expected to retire shortly after reaching retirement eligibility since there appears to be no reason for excepting him from the normal practice of the Agency; or ...

... advise the employee that, if he believes that his retirement will create extraordinary financial problems or *other serious personal difficulties*, he should present these to the Agency Retirement Board ... .83/ [Emphasis supplied.]

In addition, employees affected by the foregoing were advised that

... an extension of retirement should generally not go beyond the retiree's 65th year of age except in the most exceptional circumstances. .84/

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The permissive nature of the approach of the Intelligence Directorate was reinforced a few months later when the DDI advised his Assistant Directors that

... we should bear in mind the principle that the DD/I Area often can usefully continue to employ older employees of top quality performance who would, if forced to retire with less than some 20 years' service and at an age below 65, suffer real financial embarrassment. Each case must be considered carefully and treated with understanding and humanity.85/

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A few weeks later the Director of Personnel, Mr. Emmett D. Echols, indicated that there seemed to be evidence that the Executive Secretary of the Retirement Board was somewhat less than forceful in arranging interviews and conveying the gist of Agency policy to retirement eligibles. He went on to say:

It is my opinion that the Agency must not allow this program to lag. To do so would be unfair to those already contacted in accordance with the policy timetable who have cooperated with the policy. In addition, I consider it imperative that we determine as quickly as possible the extent of refusals to cooperate after Retirement Board review. This will be an important factor in determining whether the Agency's retirement policy can in fact be carried out without being linked to a compulsory separation system.86/

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Obviously stung by the implication that not enough was being done, [REDACTED] the Executive Secretary of the Retirement Board, assembled the following statistics which he discussed with Mr. Echols four days later, on 10 October:

<u>Reasons for Not Conducting an Interview 87/</u>	<u>Component</u>			
	<u>O/DCI</u>	<u>DDP</u>	<u>DDI</u>	<u>DDS</u>
Retired or plans well established for retirement		6		11
Exception or extension granted by appropriate official	2	9		11
Overseas, not available		8		2
Medical problem, temporary				1
Case being considered with that of husband (By Board Chairman)		1		
Decision not made by component		<u>1</u>	<u>88</u>	
Total	<u>2</u>	<u>25</u>	<u>88</u>	<u>25</u>

This status report convinced Mr. Echols that the Executive Secretary was pursuing an aggressive role on behalf of the Board and that there were aspects of the program which were beyond his control. Of immediate pertinence to this discussion, however, is the fact that no interviews had been conducted with

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personnel in the Intelligence Directorate and that decisions had not been made by the DDI as to the status of any of the 88 retirement eligibles. Obviously, there was no intent within the DDI Area to push the retirement program aggressively.

C. Conclusions

There was some sympathy for the position taken by Mr. Amory on this subject. In late December 1960, Mr. Echols drafted a "thinkpiece" on the subject of the "senior employee problem." After reiterating the rather well-established line of thinking in relation to the desirability of maintaining a more youthful personnel complement in the Clandestine Service, he addressed himself to the needs of the DDI Area.

By and large the passing years represent ever-increasing knowledge and judgment. The problem here lies not in the age structure of the DD/I and DD/S directorates but rests with individuals who for various physical and psychological reasons are no longer fully effective in their positions.88/

In effect, the retirement program should not be used as a smokescreen obscuring what is in fact an overall effort to terminate incompetents. Clearly at one point in time, at least, Mr. Echols agreed with

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the DDI that there was no reason *per se* to separate retirement eligibles if, in the process, the normal supervisory responsibilities for separating incompetent personnel had been consistently and effectively met.89/

In connection with this point, Mr. Amory told members of the Career Council at the May 1961 meeting that he intended to apply a liberal policy on retirements.

You see, I have felt that at age 65 they're just as good as at 62, so I'm pretty tolerant, and if a person doesn't really want to retire, or if they have a mortgage that won't quite be paid up at age 62, I don't require a great deal of argument to let them go on to 65 -- because I think the most comparable situation in civilian life is 65 - they run 65, 66, and 68 -- and it's pretty hard to tell an economist who is working here and who has given up any chance at 62 to go to work anywhere except for charity that he can't work at least as long as his colleagues in the University of Wyoming or California, or anywhere else. So that is why our cases have been settled in the lower court and haven't gone to the Circuit Court of Appeals.90/

These comments were treated rather incredulously by some of the other members, especially in view of the fact that the board was preparing to consider formalizing Agency retirement policy by

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promulgating a regulation in lieu of the notice which had been in effect for about seventeen months. Mr. Amory's views seemed to have little or no effect on the board's apparent intention of "hardening" its policy on retirement. Apparently, the views of the other board members were equally ineffective in convincing Mr. Amory that he should change his approach.91/

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# VIII. Events Leading to Early Retirement Legislation

## A. Introduction

Although it was disclosed to the Career Council in May 1961 that there was some urgency behind the need to publish a retirement regulation, about six months passed before it was approved. The new regulation contained a revised statement of policy which, while slightly more precise, was quite similar to the January 1960 notice. The policy portion of regulation [REDACTED] dated 3 November 1961, read as follows:

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The Agency encourages employees to retire voluntarily as soon as they are eligible to do so under the Civil Service Retirement System. Employees are, therefore, expected to plan to retire upon completing 30 years' service at the age of 60, or after five or more years of service at the age of 62, except when requested by the Agency to remain in service.92/

\* Apart from policy, this regulation was noteworthy in that it assigned a number of procedures to the Office of Personnel, including informational letters five years in advance of eligibility dates, and pre-retirement counseling.

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By January 1962 the Agency's retirement policy had been in effect two years. During this time the Retirement Board had accumulated sufficient statistical data to be able to submit meaningful information to the Career Council.<sup>93/</sup>

It becomes quickly apparent from an examination of the following Table (page 78) that a fairly large number of retirement eligibles were on the Agency's rolls as of January 1960. It seems equally apparent that this number would have continued to grow unless measures were taken to reverse the trend. It can be seen that once the backlog of retirement eligibles was reduced or eliminated, the number of retirements taking place each year would be relatively small and an orderly contribution to the attrition rate would result. It will be seen later in this history that projections for the years after 1965 reflected an increasing rate of retirements. It will be seen, also, that the projections as to retirements for future years (see the Table) were quite inaccurate.

It has been observed by reluctant retirees that, while the number of personnel eligible to

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Statistical Summary of the Agency's Optional Retirement Program  
4 January 1960 to 1 January 1962 a/

	Persons				
	DCI	DDP	DDI	DDS	Total
Employees Eligible Through 1961	8 <u>b/</u>	85	100	97	290
Through 1960	7	72	85	79	243
In 1961	1	13	15	18	47
Exempt from Agency Policy <u>c/</u>	0	0	0	4	4
Deceased	0	5	4	0	9
Retired During 1960	2	14	21	19	56
Retired During 1961	1	28	26	20	75
Retirements Scheduled for 1962	2	28	21	32	83
Retirements Scheduled for 1963	2	7	20	12	41
Eligibles Remaining Beyond 1963					
Retirements Extended by the DCI or Deputy Directors	1	3	8	2	14
Retirements Extended by the Agency Retirement Board	0	0	0	7	7
Eligibles Refusing Optional Retirement	0	0	0	1	1
Number of Cases Referred to the Agency Retirement Board	1	19	2	37	59
Employees Eligible for Optional Retirement					
In 1962					63
In 1963					55
In 1964					64
In 1965					91

a. 94/.

b. Including Cable Secretariat.

c. Unwitting ██████ employees. **25X1A**

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retire may have increased, the rate of retirements could reasonably have been expected to level off and that eventually the rate of retirements would remain constant. The argument goes further to say that the "backlog" of retirees was artificial and resulted merely from the Agency's change of policy. Further than this, the numbers involved were small in respect to the size of the Agency and could contribute only minimally to Agency turnover. The statistics given in Figure 1 reinforce the comment made earlier that the needs of the Clandestine Service were the primary force in establishing Agency retirement policy, since only 85 of 290 (or less than 30 percent) who were eligible for retirement through December 1961 were in the Clandestine Service.

B. Discontinued Service Retirement

An aspect of the Civil Service Retirement System which had been used very sparingly in the Agency was brought to bear in connection with the "701 exercise." Reference is made to that portion of the Civil Service Retirement System which permitted

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employees to retire with an immediate annuity under the following conditions:

... if he is separated involuntarily through no fault of his own after completing 25 or more years of service.

... if he is separated involuntarily through no fault of his own after reaching age 50 and completing 20 or more years of service.95/

The annuity paid under these conditions was reduced by 1/12 of 1 percent for each month under age 60 and over age 55 (1 percent a year) and 1/6 of 1 percent for each month under age 55 (2 percent a year).96/ It was thought probable that some employees who would be reached in the "701 exercise" would be eligible to receive an immediate annuity under these conditions if they did not qualify under the usual conditions for obtaining an immediate annuity. There was concern, however, over the fact that some personnel might be reached for termination who were within a short time of qualifying for an immediate annuity if separated involuntarily. Accordingly, the Acting Director of Personnel (Mr.

25X1A [REDACTED] wrote that

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In the interest of equity, ... it is proposed that an individual who will attain *minimum* eligibility (either in terms of age or creditable service) for such retirement within a period of 12 months\* from the date he is recommended for separation ... be permitted to remain on Agency rolls until he attains such eligibility. This arrangement also depends upon a favorable recommendation by the Deputy Director concerned and on the individual's services being profitably utilized. Accrued annual leave would also be employed within the waiting period.97/

The DCI approved this proposal which offered some relief to the people affected. It is beyond question that this proposal was prompted in part, at least, by humane considerations; it afforded some employees, who were on precarious footing, the option of ensuring that they would receive some income, however reduced it might be. On the other hand, it involved a commitment by the employee to the effect that he would retire when eligible to draw an immediate annuity if he were to be separated involuntarily under the Surplus Personnel Procedures.

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\* On 7 February 1962 this was changed to 24 months.

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C. An Early Retirement Proposal

There was renewed recognition that employees at or near age 50 with 20 or 25 years of service should be granted increased financial benefits.

In mid-December 1961 the DDP, Mr. Richard M. Bissell, Jr., forwarded a study prepared by some of his officers and recommended to the DCI that:

The Agency should seek appropriate legislation to enable the early retirement of selected officers of the CS [Clandestine Services] and officers of other components of the Agency closely affiliated with the CS in accordance with a program comparable to that now authorized for the Foreign Service.

Only those officers of the CS and affiliated officers of the Agency whose unique duties clearly qualify them will be eligible for early retirement. Hence there should be developed standards and procedures for identifying those Clandestine Services Officers, and officers of other career services affiliated with the Clandestine Services who would be eligible for early retirement.<sup>98/</sup>

The DDS, Colonel Lawrence K. White, who was asked to comment on this proposal, indicated on 10 January 1962 that he was in general agreement with several aspects of Mr. Bissell's proposal, but a few rather serious differences emerged. In relation

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to selection criteria for participation in an early retirement system, he said:

I feel that there is strong argument in favor of postponing selection of the individuals until after they have fulfilled stipulated terms and conditions and until the Agency is willing or desirous that they retire early.<sup>99</sup>/

However, on the matter of seeking legislation on early retirement, he had the following to say:

I think that there is strong sentiment in both the Executive and Legislative Branches of the Government against giving us early retirement legislation until they see what we are going to do with the temporary authority already given us to separate surplus personnel. The major problem in this Agency effort is in the DD/P Area and we do not have the DD/P's final recommendations as to the personnel to be declared surplus.

To summarize my reactions, I believe that the study of the DD/P is neither broad enough nor deep enough and that it would be unwise for the Agency to propose early retirement legislation until:

we have considered and arrived at a decision on an Agency-wide basis as to what we want in the way of an early retirement program;

we have demonstrated by positive and aggressive action that we are using to the maximum our temporary authority to separate surplus personnel; and

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we know the outcome of congressional action on the Administration's request for increased compensation for Federal civilian employees.100/

He went on to urge that the matter be referred to the Career Council since the council had given a great deal of consideration to the subject of early retirement legislation and had come "to some fairly firm conclusions as to what we should ask for."101/

As Acting DCI, General Cabell's response of 19 January 1962 left no doubt as to the type of action he had in mind. A memorandum to the Chairman of the Career Council is quoted in its entirety.

The CIA Career Council is hereby directed to develop an Agency-wide early retirement program without waiting for further developments in connection with the surplus personnel program or possible legislative action for Federal employees.102/

Needless to say, action to obtain such legislation proceeded apace. By the summer of 1962, legislation had been introduced and the Agency's position on the various aspects of an early retirement program had been clarified. As was stated earlier, the legislative history of the Agency's retirement law is covered elsewhere so that

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references to it in this history will be minimal. The subject arises at this point for the purpose of highlighting the great emphasis being given to the subject of retirement at this time and to show the various interrelationships of many solutions to retirement problems. The subject of retirement was injected into the "701 exercise" so that those who were eligible could retire, rather than be terminated; and, as a result, some separations were delayed to afford individuals the option to retire. The situations encountered in connection with reviews of individual "701" cases appeared to suggest to many officials that some individuals labeled "surplus," or being considered among the "surplus types," clearly qualified to meet the criteria proposed for those who would qualify for early retirement under the requested legislation. The concepts outlined to Congressional committees in August 1962 included the following:

... factors directly related to the nature and conditions of service in the intelligence field and factors affecting the ability and desire of individuals to remain in such work on a long-term basis make it infeasible to provide full-term employment for all careerists.

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The nature of the work involved in the Agency's operations requires people who have a high degree of vigor, vitality, endurance, resilience and adaptability. Such traits are required to cope with the stresses and strains occasioned by uneven and uncertain hours and days of work, duty in unhealthful locations with less than adequate medical facilities, or arduous, and not infrequently, hazardous assignments.

There are other factors pertaining to the individuals themselves which, over the years, limit their ability and desire to continue in overseas service. First, there is "motivational exhaustion." This term is used to describe a gradual lessening in enthusiasm of an officer as a result of impingements on his personal and family life ... . Further, ... employees serving abroad are subject to even greater restrictions ... .

The dynamic nature of intelligence activities produces sudden and sometimes radical shifts in the types of personnel required. Completion of a mission of a temporary nature or a shift in emphasis or direction of operations may result in an overabundance of officers who are skilled in a relatively narrow field. Their primary qualifications thus become obsolete or unneeded and they become "occupationally surplus."<sup>103/</sup>

D. The Pay Reform Act

Although passage of the desired legislation was two years off, the concepts expressed above in

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support of early retirement legislation were of broad significance in terms of defining Agency retirement policy. On the one hand, there was pressure to solve current problems immediately. On the other hand, there were strong indications that some amelioration of continuing problems was in the offing. It seemed axiomatic that if individuals were offered incentives to retire early they would do so. As a result, early retirements could be expected to reduce the pressure resulting from ceiling congestion, at least to some degree.

The predictability of the impact of early retirement legislation had to be influenced somewhat by the first of a series of legislative pay increases which was launched by the *Salary Reform Act of 1962*.<sup>104/</sup> This Act provided for a pay increase for Federal employees in October 1962, and again in January 1964. Apart from the morale value associated with the sharp increase in pay levels of civilian employees, one noticeably significant reaction was that employees nearing retirement resorted to their sharp pencils and recomputed prospective annuities based on the

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"high-five"\* the increased salary rates would produce. Many employees detected that a sharply increased annuity would be realized from longer Government service and decided that any delay in retirement would work in their favor. There is no way to measure the impact of this pay increase in terms of the Agency's effort to enforce its retirement policy. It is obvious, of course, that with the passage of time and as the potential annuities of many employees were increasing, the number of requests for extensions based on need (compassion) would decrease. It seems reasonable to assume that the immediate impact of the pay legislation of 1962 led to increased resistance to retirement on the part of many eligibles. The long-range impact, of course, was that retirements could be expected to accelerate at some date in the future as the combination of higher salaries and years of service worked to enhance annuities.

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\* The average high-five-year salary on which the retiree's annuity is based.

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E. A Reassessment of Existing Practices

In the meantime, of course, such potential benefits meant little to those employees who were nearing retirement eligibility. The pressure on them to retire continued without abatement. The situation for these people was summarized in January 1963, as the result of a request from the Deputy Director of Central Intelligence, Major General Marshall S. Carter. In a handwritten note to the DDS he said:

Please tell me more of the philosophy of retention - financial hardship seems obvious for all but the idle rich - how about best interests?105/

In response, the Director of Personnel outlined on 11 February 1963 the practices and policies then in effect, which have already been discussed at length, and closed with the following:

Since the current policy was adopted, we have established a preretirement counseling program which alerts individuals five years prior to their eligibility for retirement and offers them assistance in planning for it. Also, we have been careful in appointing new employees to ensure that they will have 30 years of service credit by the time they reach age 60. These steps, and improvements in our manpower planning should make exceptions decreasingly necessary in future years.106/

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In a perhaps more direct response to General Carter's query, Colonel White added his views two days later:

It came as no surprise to us that many employees felt that we had changed the ground rules on them without sufficient prior notice, and there was, of course, some justification in their position. It is true that we have pressured employees to retire when eligible and in many of these cases they would not have otherwise done so until they reached mandatory retirement age. At the same time, we have tried to negotiate a mutually acceptable date with the individual employee when retirement as soon as eligible would work a hardship on him and when his services could continue to be used to good advantage. While we have had some rather difficult cases, we have been able to work out most of them and have not yet resorted to involuntary separation to force retirement when eligible with full annuity.107/

The report of the Executive Secretary of the Agency Retirement Board for calendar year 1963\* related that during 1963 it became noticeable that many individuals reaching eligibility for retirement "had made sufficient plans so that they were ready to retire during 1963."108/ He thought that the

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who retired at the end of 1962.

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letter to employees five years in advance of their retirement eligibility was being well-received. There were 71 extensions during the year. Eighteen of these were granted by the board, the remainder by the various deputy directors. A program utilizing the services of the Assessment and Evaluation Staff of the Office of Medical Services was instituted. Also, as part of a program to assist individuals in preparing themselves for post-retirement activities,

... procedures have been established so that individuals who are eligible for retirement in the next one to five years are reminded periodically of the up-coming date so that no one is caught by surprise. Also, those persons who neglect to contact the Executive Secretary for counseling are reminded of the service available to them.109/

F. Ceiling Control and Retirement

In the years prior to 1964, there had been indications that management had a tendency to view the Agency's retirement policy as a means of aiding various components in accommodating to reductions in ceiling and enforcing strength controls. This view was reinforced on 27 July 1964 when the Executive Director-Comptroller, Mr. Lyman B. Kirkpatrick,


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Jr., issued an Action Memorandum entitled "Reduction in On-duty Strength Levels." In this memorandum he said that

The Director's decision to adjust position authorizations for FY 1965 and FY 1966 compels us to initiate certain constructive efforts designed to meet our end-year target strength levels. Immediate attention must be given by each Deputy Director to those avenues which provide an acceleration in the separation of personnel who are unnecessary to his needs ... .110/

The four possibilities suggested as being fruitful avenues leading to personnel reductions included: the reduction of active-duty military personnel assigned to the Agency; the limiting of extensions to retirement eligibles; the identification and elimination of individuals whose performance was substandard; and the identification and reassignment of those individuals possessing skills which were surplus to the needs of the Service to which they were assigned. Of particular interest was the forceful language used in relation to retirement.

 established the policy that employees are expected to retire when they have achieved certain specified combinations of age and length of service. In the past we have been very lenient in granting waivers

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of this policy. We must now take a more objective and organization-oriented viewpoint on this matter. In the future, exceptions should be granted only when an employee's skills are truly *irreplaceable* from within the Agency or when a *real* financial hardship would result which would materially affect the employee's ability to maintain the necessities of life. Failure to exercise mature judgment in planning for retirement and the assumption of unnecessary obligations by individuals approaching retirement age will not be considered adequate reasons for retaining an employee beyond his normal retirement date. Accordingly, you should review all current exceptions to the retirement policy and provide to me by 1 November 1964 specific recommendations either rescinding or revalidating each case by name in accordance with a strict interpretation of the above criteria.lll/

The strong language of this statement was received with some consternation and led to the re-examination of extensions previously granted. However, before any extensions were canceled and before this apparent restatement of policy was implemented, Colonel White advised the Director of Personnel of the following:

On 23 September 1964 I discussed with Mr. Kirkpatrick the apparent conflicts and misunderstandings which [Action Memorandum No. A-410 and interpretations of it] have caused and

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suggested that he might like to clarify his intent insofar as it affected Agency retirement policy.

Mr. Kirkpatrick assured me that he did not intend to change Agency policy as outlined in [REDACTED] any way. He merely wished to register his philosophy that our policy should not be implemented with rigidity and that we should be reasonably lenient with people who would find themselves in dire financial circumstances if they were forced to retire at age 60 or 62.

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I believe his philosophy is entirely consistent with the manner in which our retirement program has operated to date and the Director of Personnel and members of the CIA Retirement Board should understand that there has been no change in Agency policy.112/

Apparently Colonel White's memorandum quieted any fears that the Agency's retirement policy had been changed. There is no evidence that there were any residual effects of Mr. Kirkpatrick's more forceful approach to retirement policy.

#### G. Conclusions

In a broad sense, Mr. Kirkpatrick's action memorandum, and the reaction to it, served to close a chapter on the early phases of the development of

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the Agency's retirement policy. It was evident that the Agency's statements of policy had withstood the challenges of employees, in that none had carried the contest to the courts but had, instead, retired. At the same time, efforts of officials at various levels of management to either toughen or weaken the approach were restrained so that policy within directorates was fairly consistent, although some variations were observable when the practices of one directorate were compared with those of another. The time seemed to be at hand when employees and supervisors alike might be expected to understand the Agency's policy and plan accordingly.

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# IX. A New Law and New Policy

## A. Introduction

The long-awaited early retirement legislation was passed by Congress and signed into law by President Lyndon Johnson on 14 October 1964. The President objected to a provision of the law which required that the Armed Services Committees approve any rules and regulations prescribed by the DCI in establishing and maintaining the new retirement system. Although the President considered this an unconstitutional invasion of Executive prerogative, he reasoned that by treating the role desired by Congress as consultative he could sign the Bill and did so saying, "This legislation is fundamentally meritorious."113/

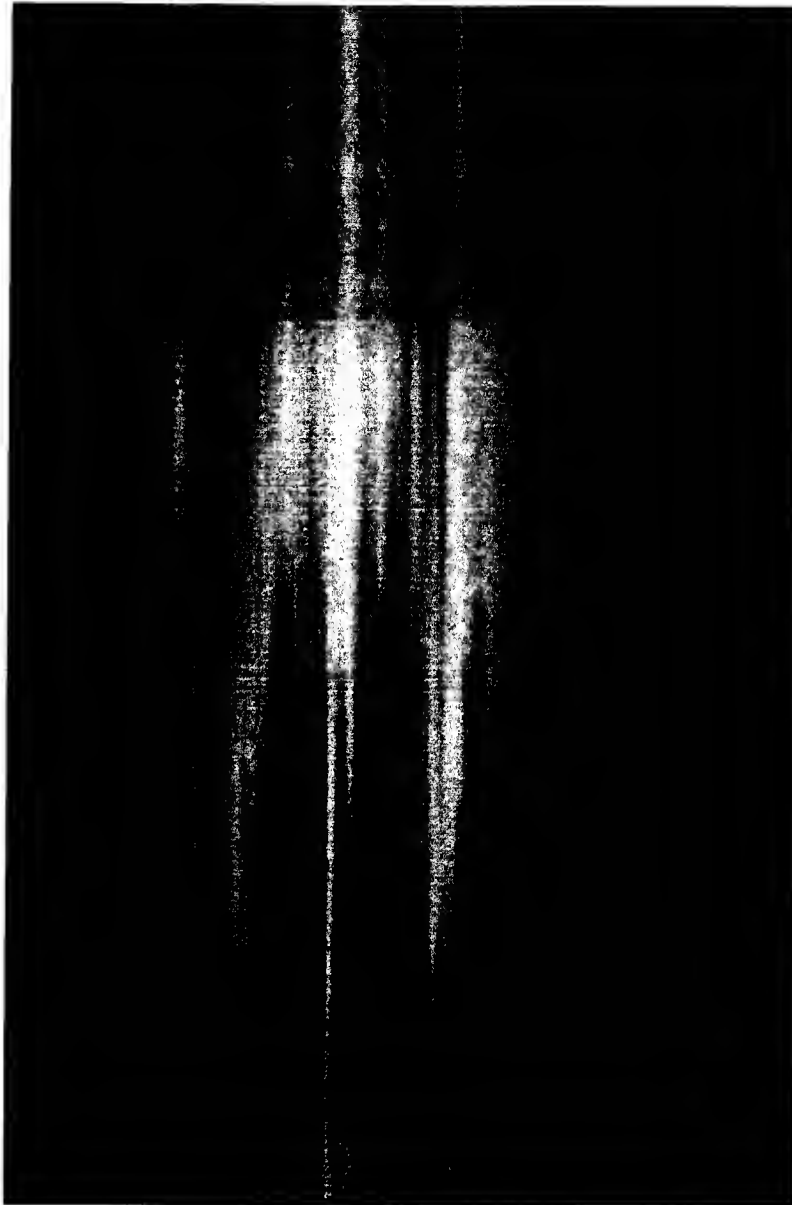
On 20 October 1964 the Agency announced the signing of the Bill in an *Employee Bulletin* which was distributed to all employees. While most Agency employees were aware that the Agency had been pressing for such legislation, it is doubtful that many were aware that the legislation would be

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as restrictive as it emerged in terms of eligibility for participation. It would seem useful, therefore, to quote this *Employee Bulletin* in its entirety:

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B. The New System at Work

The regulation [REDACTED] prescribing the rules and policies governing the administration of the Central Intelligence Agency Retirement and Disability System (hereafter referred to as CIARDS or the System) was published on 27 April 1965. On 30 July 1965 an *Employee Bulletin* describing CIARDS was distributed to all employees at Headquarters. The *Bulletin* said, in part, that:

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It was pointed out that [REDACTED] went further than Public Law 88-643 in defining "qualifying service." Most duty performed overseas was to be considered "qualifying service," as would certain "domestic service" performed in the United States under conditions similar to those of service overseas.118/

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The implementation of the CIA Retirement Act is being carried out under the supervision of a *CIA Retirement Board* comprised of senior Agency officials nominated by the Deputy Directors and appointed by the Director to assist and advise the Director of Personnel in the administration of the CIA Retirement and Disability System. A CIA Retirement Staff has been established in the Office of Personnel to provide staff and secretariat support in the administration of the CIA Retirement System ... 119/

The board had already met several times when the foregoing was published. At the first meeting, held on 11 August 1965, the Director of Personnel, Mr. Emmett D. Echols, was asked to provide clarification regarding the kinds of questions he might refer to the board. His response indicated that in addition to requirements set forth in [REDACTED] there would be a need for the development of policies regarding the inclusion of certain categories of

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personnel under the system; refinement of the criteria covering "qualifying service"; and advice to the DCI on discretionary aspects of the statute.

Finally, I look to the Board to assist in achieving more familiarity and understanding of the CIA Retirement and Disability System among employees and supervisors of the Agency. Your counsel and participation in their efforts may, and hopefully shall, take several forms ... .120/

The board got down to work promptly and, by 21 April 1965, agreed to a procedure whereby the Director of Personnel asked the various Career Service Heads to take action on the identification of certain of their employees for nomination as participants in CIARDS. The Career Service Heads were asked to review lists of their careerists who would reach age 50 during 1965 and who had 20 years or more of Federal service and 10 years or more of Agency service. The years of Agency service overseas were also shown in a listing provided the Career Service Heads. Individuals who did not meet established criteria for participation in CIARDS were to be so identified and would, in turn, be notified of their nonselection. Employees appearing to qualify for selection would be considered for designation as participants by the board..121/

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With the dispatch of this memorandum, CIARDS was clearly on the way to implementation. A review of the board's work during its early years indicates that as one problem was solved others would emerge. Many difficult questions arose, and as time passed a number of precedents emerged from the many cases the board reviewed. A few of these have been selected as illustrative of the problems encountered.

"Career" means the predominant and long-range orientation of an employee's Agency service, past and present.\*  
(March 1965)

Until definite guidelines have been established as to the kinds of service in the United States which will constitute qualifying service, the Board will consider only those cases based on qualifying service in assignments overseas. However, the Board will consider any exceptional or urgent case involving qualifying service in the United States. (1 April 1965)

The Chairman next presented to the Board the case of Mr. R. E. J. who was being nominated for participation in

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\* This quotation and the selections which follow have been extracted from the policy handbook maintained by [REDACTED], Executive Secretary of the CIA Retirement Board, from the fall of 1966 to date (1971).

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the System with concurrent mandatory retirement based partially on domestic qualifying service. Mr. J., who is 62 years of age, was previously nominated in September 1965 and action was deferred pending receipt of additional information regarding the domestic qualifying service. The Office of Security then requested return of the nomination for further consideration and review by the Career Service. The Board recommended that the nomination of Mr. J. be rejected on the grounds that at the time of his original nomination his Career Service stated that they would not request an extension beyond mandatory retirement and by not forcing a decision at that time he was allowed to benefit from two additional years of employment thereby waiving his right of appeal in this matter.

The Chairman next presented the case of Mr. N. S. B. who was requesting that he be designated a participant in the CIA Retirement System. Mr. B. was approved for participation in the system in May 1965 and was offered the 15-year election. At that time Mr. B. chose to remain in the Civil Service System in order to remain employed until he was 62 years of age; however, with the change in the Agency retirement policy he was informed that he would be expected to retire at age 60. In view of this change in policy he requested that he now be allowed to participate in the CIA System. The Board was unanimous in agreeing that Mr. B. should not be penalized by a change in policy and should be designated as a participant in the System.

The Chairman informed the Board that Col. White and/or in consultation with the Director sees no reason to handle

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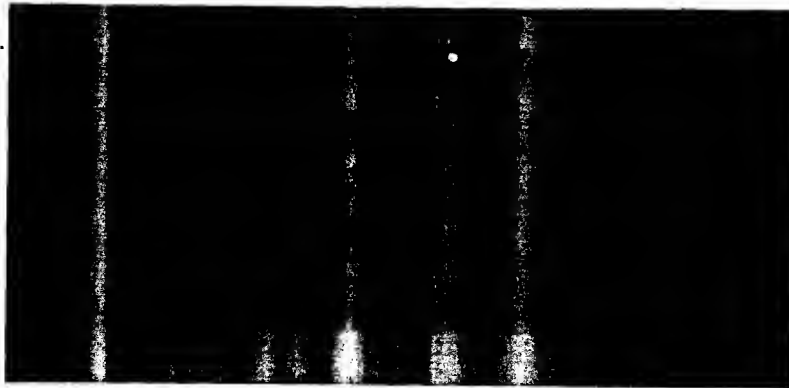
extensions under the Civil Service System any differently than extensions under the Agency Retirement System. He stated that the revised Regulation will provide that the Director will act on extensions with the advice and guidance of the Retirement Board for both retirement systems. (March 1966)

... any Agency employee who meets the qualifications for designation as a participant in [CIARDS] ... may be so designated without regard to the fact that he may be currently eligible for retirement under the Civil Service System. (1 April 1965)

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The Board unanimously recommended approval of its first request for voluntary retirement under the System as submitted by [REDACTED], GS-15, Office of Communications. (6 May 1965)

Although the CIA Retirement Board had been operative for more than three months, it was not formally established until 24 June 1965. A notice published on that date contained the following statement:



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As already mentioned, both Boards were provided secretariat services by the Office of Personnel.

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[REDACTED] in addition to his duties as Chief of the newly established Retirement Branch of the Office of Personnel, continued as Executive Secretary of the Agency Retirement Board.<sup>123/</sup> Mr.

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[REDACTED] was appointed Chief, CIA Retirement Staff, with collateral duties as Executive Secretary of the CIA Retirement Board.

C. The End of the Agency Retirement Board

The question of the continuation of the Agency Retirement Board was raised by its Chairman, Mr. Lawrence R. Houston, in January 1966, when he proposed that his board be merged with the CIA Retirement Board.<sup>124/</sup> He referred to the annual report of the board which showed that activity of the board was decreasing year by year.<sup>125/</sup> It was not mentioned in the report, but it is clearly deducible from that report and earlier ones that after six years the Agency's retirement policies were in full force and effect except for a small number of exceptions. Since the board met to consider only 15 cases during

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1965,126/ its workload could be considered minimal.

In January 1966, DDS, Mr. Robert L. Bannerman, declined to concur in Mr. Houston's recommendation, as did the Executive Director-Comptroller, Colonel Lawrence K. White, on the grounds that

The CIA Retirement Board still faces a heavy workload over the next several months in screening new participants. They are also deeply involved in working out the policies and standards that govern the administration of the CIA system. For these reasons we would strongly prefer not to have them take on just yet the additional functions of Mr. Houston's Board.127/

Mr. Bannerman agreed to review the matter at the end of the year and did so, advising Colonel White on 30 December that

Although the CIA Retirement Board still is involved in developing policies and standards concerning the administration of the CIA System, the Director of Personnel advises that the Board should be able to handle easily the relatively small number of extension cases currently being submitted to the Agency Retirement Board. For this reason, we are now prepared to recommend the consolidation of these two retirement boards ... 128/

The board ceased functioning as a separate entity immediately.

The significance of the dissolution of the Agency Retirement Board is difficult to assess.



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The workload statistics indicated a declining need for the board, but these statistics were undoubtedly greatly influenced by the passage of the so-called "Daniels Bill." This Bill provided that annuities of employees who retired on or before 30 November 1965 would be increased by 6.1 percent effective 1 December 1965. Earlier legislation provided that an additional 2 percent would be paid to those entitled to the 6.1 percent increase for a total increase of 8.1 percent.<sup>129/</sup> As a result of this huge increase, retirements for 1965 were nearly double those of the previous year. In other words, many requests for extensions were forestalled or obviated as a result of the increased annuity benefit which many employees chose to accept by retiring.\*

#### D. Qualifying Service

It was apparent from the earliest discussions of "early retirement" legislation that the most

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\* Some significance must also be attributed to the fact that the Agency Retirement Board, which was concerned with employees covered by the Civil Service Retirement System, represented about 75 percent of the Agency population. In effect, the board representing the smaller group was absorbing the board representing the larger.

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controversial aspect of the development of an Agency policy on the subject was "qualifying service." Few, if any, differences arose regarding the total years of Federal and Agency service which should be required, but opinions as to the types of service which were thought necessary to *qualify* for participation in the system varied widely. As previously stated, [REDACTED] went further than the Public Law (88-643) in defining "qualifying service" and was thought to provide:

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... sufficient criteria for judging in most instances the qualifications of an individual for entrance into, remaining in, and being retired from the CIA system. However, both the act and the regulation permit, and indeed require, considerable interpretation in their application to a limited number of employees whose duties do not, for one reason or another, fit neatly into the easily identified types of "qualifying service."<sup>130/</sup>

It was recognized that *most*, but possibly not all, duty performed overseas would be considered "qualifying service." On the other hand, service in the United States, which is performed under conditions similar to those of service overseas, may be considered "qualifying service"; however:

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Precise criteria cannot be established for determining the conditions of domestic service which would place such service in a qualifying category. These standards will evolve in a case-by-case review of those few individuals nominated for participation on the strength of domestic service believed by their Career Services to be "qualifying."131/

These principles, which were stated at the outset, remained unchallenged until October 1966. The challenge was originated by [REDACTED] in his role as Vice Chairman of the Clandestine Service Career Service Board. He proposed that consideration be given to allowing members of the Clandestine Service Career Service (CSCS) to be included in the system under a liberalized approach to "qualifying service" and that members of the CSCS be selected for participation in the system based on a decision made by the Director upon recommendation of the CSCS Board. He said that:

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In effect, we are suggesting that in certain cases the Director should take a broader view of what constitutes qualifying service and that the [Retirement] Board and other individuals in the Agency not be brought into this decision-making process. It is believed that the regulations, the statute, and the explanations furnished to our congressional committees afford a sound basis for a broader interpretation of qualifying service than has been applied in fact up to date.132/

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Rather surprisingly, this proposal had the concurrence of the Director of Personnel. The Acting DDP, [REDACTED] also concurred and added his comments in support of a liberalized approach to determining what service should be considered as qualifying for some employees, saying that

... requirements in CIA for the particular skills and capabilities of these individuals have ceased to exist; the validity of their coverture is no longer supportable; they are medically qualified but are no longer willing to undertake and/or able to fulfill CS assignments which usually demand dynamic response or encompass stringent living conditions or require continually long hours of concentrated duty, or all of these.<sup>133/</sup>

Unfortunately, many employees fitting this description were expected to fall short of meeting the requirement for five years of qualifying service. Yet, many of them were ready and willing to retire if they could be brought under the System. Such retirements would, it was thought, serve the needs of the Agency "without seriously affecting the functioning of the System as such."<sup>134/</sup> [REDACTED] supported other points made by [REDACTED] included with the following:

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It is recommended that the Director, acting on the case-by-case proposals of the Deputy Director for Plans ..., designate Agency employees as participants in the CIA Retirement and Disability System and simultaneously approve their retirements at dates determined to be in the best interests of the Agency.135/

The Executive Director-Comptroller, Colonel Lawrence K. White, responded to this proposal on 15 November 1966 by forwarding the following memorandum:

I have discussed your proposal ... with the Director. As a general practice the Director prefers to process retirement cases under the CIA Retirement and Disability System through the Retirement Board which was appointed to advise the Director of Personnel and the Director with regard to these matters. He recognizes, however, that there may be cases which, in the opinion of the Director of Personnel or a Deputy Director, should be submitted for his decision without prior consideration by the Retirement Board.

The Director will consider such cases on an individual case basis in accordance with the following procedure: When a Deputy Director or the Director of Personnel feels that a case should be processed outside the Retirement Board, the Director of Personnel will forward to the Director a memorandum setting forth a full justification for using the exceptional procedure. In all cases it will bear the concurrence or comment of the appropriate Deputy Director and will be routed through the General Counsel,

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to whom the Director will look for advice regarding the legality of the proposal as well as assurance that it is consistent with the intent of Congress as supported by the legislative history of the System.<sup>136/</sup>

It must be supposed that the proposal advanced by the DDP, which would have removed the Retirement Board from the chain of review on certain cases, was based on the unexpressed thought that the Agency's Retirement Law was conceived principally to meet the needs of the Clandestine Service. Once the provisions of the law were in full force and effect, the system appeared to be operating on a very broad base without, seemingly, any special consideration being given to the component where the most obvious and pressing needs were thought to have existed originally, and which appeared to be unrelieved. This is not to suggest that there were not strong arguments supporting centrally located seats for policy determinations such as the Retirement Board. It is suggested, instead, that the rather direct attack on the procedures under the system as they related to the Retirement Board indicated concern that members of the Clandestine Service felt that they were getting less than their share of the Agency's quota and were

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disenchanted with the strict application of the criteria being applied to "qualifying service."

E. Conclusions

Any discussion of the operation of CIARDS must of necessity be limited in a history related to overall Agency retirement policy. It is clear that much remains to be written on the subject. It has probably been recognized already that this subject would be rewarding as a separate area of study.

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X. Another Law -- And More Problems

A. The Fringe Benefits Act

The Federal Salary and Fringe Benefits Act of 1966 was responsible for setting off a new go-round of agonizing over Agency retirement policy. The Act provided that an individual under the Civil Service Retirement System could retire on his own option on full annuity at age 55 with 30 or more years of service.\* It will be recalled that previously the retirement statute permitted optional retirement at age 55, but in such a case the annuity was reduced by one percent for each year under age 60. Another change involved optional retirement at age 60 with 20 years of service. Prior to this change, an employee who had less than 30 years of

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\* This provision of the law led to a degree of consternation in some quarters of the Government as well as in the Agency. The Civil Service Commission had endorsed this liberalization of retirement benefits with the expectation that the law would authorize agencies to *force* retirements at age 55 if performance or other management considerations so warranted. The absence of this provision resulted in a new expense to the retirement system without a resulting management tool.

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service was not eligible for an immediate annuity until he reached age 62. Since the retirement policy then in effect in the Agency "expected" that an employee would retire as soon after reaching age 60 as he became eligible for an immediate annuity, the new law with its broader options introduced a conflict which required attention. The immediate concern, of course, was that portion of the new law which, if strictly applied under Agency policy, would have compelled some employees to retire at age 55. A secondary concern related to those who would be required to retire at age 60 if they had at least 20 years of service. From the outset, there appears to have been considerable opinion which favored applying the new provisions to employees thus becoming eligible on the basis of the oft-repeated argument that such a policy would aid in relieving congestion within the Agency and contribute to opening up headroom, thereby allowing for the advancement of its younger employees.137/ The Director of Personnel, Mr. Emmett D. Echols, chose this occasion to review current Agency policy and the impact of recent legislation, including the

CIA Retirement Act and Fringe Benefits Act, on this policy:

Applied literally, the language of our present policy would "expect" and in effect require retirement of an employee under the Civil Service Retirement System at age 55 with 30 years of service. By contrast, our own CIA Retirement System, which was obtained to permit "early" retirement for employees who have served under certain special circumstances, provides a mandatory retirement age of 60 for those employees in grade GS-17 or below and of 65 for those in grade GS-18 and above. It would seem incongruous to require an employee who does not qualify for our special "early" retirement system to retire at a lower age, i.e., 55, than specified for employees who are covered by our "early" retirement system. On this basis alone, it would seem inappropriate to apply the new "55-30" rule to employees under the Civil Service Retirement System without an equivalent application under the CIA Retirement System.

... it would appear that there has been a clear statement of Congressional policy in opposition to mandatory-involuntary retirement at age 55 -- even with full earned annuity.

In the final analysis the feasibility of requiring employees to retire at age 55 must be evaluated in terms of the effect upon employee morale, attrition and recruitment. Although socioeconomic trends are running toward earlier retirement and larger annuities, I know of no government agency which has set so low a retirement age except when justified by

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special demands of the work and then only with compensatory inducements in the form of enhanced retirement benefits. One is led to the conclusion that such a policy would be an unacceptable condition of employment to both present and prospective employees.138/

Mr. Echols also raised the question as to whether individuals in grade GS-18 and above should be allowed to continue to treat age 65 as their mandatory retirement age. Once again, his approach was that there appeared to be no reason for distinguishing between the two retirement systems insofar as establishing different retirement ages was concerned. In consonance with these views, he recommended to the Director that

... the Agency's current policy for employees under the Civil Service Retirement System be modified to "expect" employees to retire at age 60 with 20 or more years of service or at age 62 with five but less than 20 years of service;

... implementation of the revised Civil Service Retirement policy be phased gradually over the next two years with liberal exceptions to give full consideration to its impact on individuals with less than 30 years service who might have reasonably expected to continue in employment until age 62; [and]

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... participants in the CIA Retirement System be subject to "mandatory" retirement at age 60 regardless of grade level, but that implementation of this policy be phased over a two-year period with liberal exceptions; ... .139/

The Director approved these recommendations on 23 February 1967. As a result, the two Agency retirement systems had been brought closer to each other insofar as mandatory retirement ages were concerned. In recommending approval of proposed revisions of Regulations [REDACTED] Mr. Echols advised the DDS, Mr.

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Robert L. Bannerman, that the proposed revisions

... reflect the Director's request, informally reported to us through the Executive Director-Comptroller and your office, that all extensions based on "need-for-services" be submitted for his approval..140/

Revisions of Regulations [REDACTED] covering

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these changes were issued on 29 May 1967..141/

B. Another Look at the Policy

Less than three months later, two rather remarkable documents appeared. The first, dated 1 August 1967, was written by Mr. Emmett D. Echols, Director of Personnel, addressed to the DCI through the DDS. Referring to the changes in policy described above, he said:

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Since the announcement of this slight modification of Agency policy, there has been a noticeable and significant ground swell of expressed resentment and hostility to the Agency's policy on retirement age. I have received letters from employees stating they do not intend to retire when expected to. I have two letters which challenge the legality and propriety of Agency policy. One of the individuals appears to have done a great deal of research on the subject, probably with legal assistance. In summation, these letters and other inquiries received by me ask the specific question: "Is Agency policy merely an expression of Agency preference with the employee having the option to comply or not or will the Director enforce the policy by use of his statutory authority to separate an employee in the best interests of the United States?"142/

He went on to say that in the absence of any clear statement that such authority would be used if necessary, most employees had assumed that the Director's authority would be invoked in the event of a refusal to retire. He, too, as Director of Personnel, had made this assumption, but

... I do not, however, know this to be the case, and confronted with the direct question I conferred with the Office of the General Counsel. In response I have been advised that the General Counsel has stated that he would recommend most strongly to the Director that he never enforce the retirement policy by use of

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his authority to summarily terminate employment in the best interests of the Government.

In view of the seriousness and imminence of the challenge to Agency policy and the practical need to know whether policy compliance is optional or mandatory, I discussed the matter with the Retirement Board. In our discussion I was shocked to learn that the members of the Board, almost unanimously, believed that the CIA retirement age policy for employees covered by the Civil Service Retirement System is wrong. Many members believe it is not necessary, desirable or in the best interests of the Agency. Many members appear to believe that it is an unfair and improper impingement upon the employment rights of individuals. Others believe the policy will prove to be tenable only if some form of compensatory benefits is awarded the employee who conforms.<sup>143/</sup>

He urged that the DCI consider this problem and make known his wishes regarding studies which the Director of Personnel should undertake on the subject.

It seems rather startling that this paper, and the thoughts contained therein, should have been surfaced at such a late date. The paper, itself, seems to have had no impact. No response or reference to the document has been located.

The second document of this type was written

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on the CIA Retirement Board. In this paper, dated 14 August 1967, [REDACTED] stated that his paper was the result of some thoughts resulting from the meeting alluded to by Mr. Echols. He repeated several of the points made by Mr. Echols and suggested that:

While the record shows that the early retirement of our employees has been effected without resort to Section 102(c) we should neither take pride in the manner in which this has been accomplished nor ignore the adverse consequences to the Agency of continuing this policy.144/

As an attachment to his memorandum, [REDACTED] submitted a rather lengthy paper entitled "Background to Problems of Administering CIA Retirement Policy Under Civil Service." This paper summarized the major developments on retirement policy within the Agency and concluded with this searching question: "Why is there now such strong indications [sic] of resistance to the newly announced policy?" His answers to his own question follow:

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A realization that the long range family plans made on the basis of earlier policy would be seriously affected by an acceleration of the date of retirement.

A realization that an Agency policy statement which uses words like "option",

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"eligible", and "expect" does not carry the conviction of mandatory enforcement.

A realization that, compassion apart, uniform enforcement of policy makes little sense when some categories of employees are in short supply and other categories may attain or maintain their highest performance in the twilight of their careers.

A realization that the Agency has been granted legislation to deal with its special problems. Hence, why should Agency employees under Civil Service not enjoy all options enjoyed by other Government Civil Service employees?

A realization that an Agency position, almost any position, apart from income, provides the individual with certain status. There is an indefinable reluctance to abandon this unless a substitute status is provided.

A realization that pay raises, in the immediate past or prospective, will appreciably improve retirement income only if the employee works long enough to have them fully reflected in his "high five" earnings average.<sup>145/</sup>

The foregoing paper has been quoted at length for the obvious reason that it is one of the few documents known which objected to the Agency's policy in a meaningful manner.

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C. The Counseling Staff

The year 1967 saw another major event in the retirement area. This was the establishment of the Retirement Counseling and Placement Staff in the Office of the Director of Personnel under the leadership of [REDACTED]. The history of

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that staff is discussed in a paper written by [REDACTED]

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25X1A [REDACTED] 146/ and therefore need not be dwelt on here except to emphasize that this staff was organized to meet a clear need and give improved support to retiring personnel. Some of the functions covered by the new staff had been in operation for a long period of time, but the new strength given this organization -- designed solely to deal with retirement matters -- was of major significance in the development of the Agency's retirement program.

The establishment of the Retirement Counseling and Placement Staff was of significance to prospective retirees, as well as a logical move from the management viewpoint. The possibility that employee unrest might be reduced by reason of the increased and improved services was probably a major consideration. The degree of benefit, however, probably

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defies measurement, but there are at least strong visceral feelings, shared by many, that the program has been of great value. Likewise no measurements are available as to the effect of the Agency's retirement policy on employee morale. Organization-sponsored attitude surveys are properly regarded as risky because the mere fact that a survey is undertaken implies a commitment to effect a change. Logic also compels the avoidance of a study when the results can be predicted. It is thought that a generally negative reaction on the part of most employees could have been predicted if they had been queried on their views of the Agency's retirement policy in early 1960. What seems much less predictable is that the policy should still be causing strongly negative reactions some seven or eight years later.

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# XI. Conclusions

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It is apparent from the questions raised by Messrs. Echols and [REDACTED] that there were still many live issues remaining in the retirement policy area at the end of 1967. Recognition of this fact apparently led Mr. Robert L. Bannerman, DDS, to request that the other deputy directors make available to the Director of Personnel their study papers and findings on Agency retirement policy.<sup>147/</sup> The papers from the Support Directorate included a rather thorough study of the attitude held by office heads within the Support Services. This survey had been conducted by Mr. George E. Meloon, Director of Logistics, at the request of Mr. Bannerman; and it was most comprehensive in the sense that each office head, or his deputy, was asked to give his views on existing Agency retirement policy. One might question the validity of the study in relation to the subject of morale since only senior officials were interviewed; but Mr. Meloon observed:

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While resentment of employees to the Agency's retirement policy is prevalent in the study, it is believed that the major cause of this resentment will be removed in 3 to 5 years ... .

The resentment indicated above is primarily based on the policy that "expects" retirement at 60 years of age. Although there are minor differences noted by the Office Directors in respect to retirement at 60 or 62 years of age, there is agreement that, at either age, the Agency is acting on very questionable legal authority ... .

There is a serious potential problem that may arise if the early retirement options are used primarily to encourage weak employees to retire early. Although there is no indication that such is the case at present, any association of early retirement with a weeding-out process will lower the prestige of the program and have a detrimental effect on the long-range objectives of the overall Agency retirement program. A program tainted with the brush of a "701 program" will find few takers in the Agency. The success of the present policy requires a strong personnel relations job that will build and maintain the prestige of the Agency Retirement System. 148/

On 17 January 1968, Mr. R. J. Smith, DDI, forwarded his background papers and gave his views on the Agency's retirement policy:

We conclude that the current 60/20 and 62/5 Agency policy applied to employees under the Civil Service Retirement System is not in the best interest of our Directorate.

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DDI people, with very few exceptions, do not serve in overseas posts, nor do they conduct operational activities in remote areas. While many engage in highly classified work, the skills used are not unique to intelligence.

We are, however, less concerned with the shorter term consideration, now pretty well behind us, than with the adverse effect of the policy in the longer run. Employee morale has unquestionably suffered, and we are in a less favorable competitive position in attracting people we want because we offer the prospective employee fewer choices affecting his job tenure. For many professionals we offer what appears to be an arbitrarily shortened career.

I therefore urge a policy which provides for normal retirement at age 62 with 20 or more years of service. Under this policy, we would use other managerial devices for terminating the employ of employees who cease to be productive at 60 or earlier. We would offer selected outstanding employees an opportunity to extend beyond 62 up to age 65. This policy we feel would best serve our interests.149/

The Clandestine Service had yet another view. An "up or out" policy was suggested together with a proposed revision of the method to be used in computing an employee's annuity.

Previous DDP communications have suggested that retirement be fixed at age 60 with annuity accretions of 60% of high five, plus or minus (30 years of service more or less). In that context, we referred to it as approximate maximum.

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As a minimum, however, a retirement income figure of 50% of high five has been suggested without any particular definition of criteria.

The following criteria, which are, of course, tentative, are calculated to produce 50% of high five for CSR members and 53.75% of high five for members of CIAR (before deduction for Survivor's Annuity):

After age 50, 26 years, 10 1/2 months of government service, any individual in the grade of GS-13 and above who has continued for a term of 8 years in the same grade shall be involuntarily retired 1 year thereafter, unless designated prior to his eighth anniversary in that grade for *continuation in service*. The designation for *continuation in service* shall be based on the need for the individual's service in the national interest as determined by the Director of Central Intelligence. *Continuation in service* shall be for a period of one year unless further renewed for the additional term or terms of one year.150/

On 8 February 1968, Colonel L. K. White, the Executive Director-Comptroller, conducted a meeting with the Deputy Directors for Support, Science and Technology, Plans, and Intelligence, the General Counsel, the Executive Assistant to the DCI, the Special Assistant to the DDS, and the Director of

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Personnel\* to discuss the widely differing views held by the senior officials of the Agency regarding retirement policy.<sup>151/</sup> Extensive discussion of retirement policy, however, apparently failed to produce any change in the views of the participants. As far as is known, this was the first occasion on which Mr. Carl E. Duckett, DD/S&T, expressed his views on the subject of retirement.

Mr. Duckett said that the Science and Technology Directorate would have minimal problems over the next few years although there are some for whom early retirement is desirable and necessary. He would urge reconsideration of the standards by which people are now put in the Agency System -- it being his belief that this provided the proper instrument for handling those specific cases. He made the argument that we appeared in our efforts to get the CIA System to have established the need for two and to argue more for a single policy -- which in a sense seemed to be arguing for a single system -- would seem to deny our earlier position. (Colonel White observed that we had tried to get a single system but that Congress had denied it).<sup>152/</sup>

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\* Respectively, Messrs. R. L. Bannerman, Carl E. Duckett, T. H. Karamessines, R. J. Smith, Lawrence R. Houston, Jack Earman, Emmett D. Echols, and Robert S. Wattles.

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Colonel White summarized the results of the meeting to the effect that it was

... the sense of the group ... that there ought to be one age at which most employees should leave, but that the different components having different problems and different reasons for making exceptions should be provided within a fixed policy the opportunity to adapt to their respective conditions. Further, the statement of rationale should be redrafted to reflect the sense of the day's discussion and should be in such form that the General Counsel could use it in court or before our committees and also could be provided to all Agency employees to explain the Agency command position.153/

The need for a "statement of rationale" led to a great deal of agonizing in the attempt to produce a clarification of Agency retirement policy. Those senior officials who did not attempt to write versions of their own were unimpressed by the versions written by others. Apparently the various versions were either too long or too general or even too specific. Mr. Emmett D. Echols\* was responsible for the preparation of the rationale and, in the several weeks following the meeting mentioned above, wrote

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\* At this time, January 1968, Mr. Echols was Special Assistant to the DDS for Special Studies.

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several drafts. As might be expected, objections to certain of the drafts were based, in part, on previously expressed opposition to a single policy which would be applicable to all components of the Agency. In this connection, Mr. R. J. Smith, DDI, evidenced his disapproval of one draft of the rationale by asserting that

A sound and convincing rationale for a general Agency early retirement policy can be produced only if it is squarely responsive to four questions:

In 1964, CIA obtained from Congress a special early retirement system for a selective portion of its employees. What has since changed that now makes necessary the imposition of identical retirement limits on those not in that system? Put another way, if it is necessary to retire more people earlier than had originally been projected, why should this not be done through the existing system?

Is our need for an early retirement system any greater than the need in other Government components responsible for national security (e.g., State, Defense)?

Do the reasons given in support of early retirement apply with equal force to enough people that it is more reasonable

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to have one age limit for all rather than different limits for different groups?

What reason is given for curbing the employee's opportunity to work beyond 60 without providing offsetting compensation? Or if compensation is contemplated, what is it?

I believe it should be possible to incorporate into another draft direct responses to the above questions. If such a draft can be produced, then I will undertake to comment at greater length on specifics.154/

Mr. Smith appears to have been unaware of the extensive research which had taken place at this time and in preceding years on the subject of additional benefits for retirees.155/ In spite of the strongly felt need and the careful research on the practicality and legality of various proposals providing for extra compensation for early retirees, no plan for them had ever been put into effect.\* The fact that there are no such benefits appears to add

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\* Various proposals were made over the years, some of them dating from the earliest days of the Agency. It is beyond the scope of this history to review these proposals, but it is worth noting that with each review of retirement policy, renewed efforts have been made to identify an appropriate method of compensating in some way those employees forced to retire earlier than they had planned.

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to the irritation felt by personnel in the Agency who continue to oppose a dual system of retirement compensation which is administered under a single policy.

In spite of the continued misgivings held by many senior officials regarding the age 60 retirement policy, a "rationale" was finally developed,\* concurred in by all the deputy directors, and forwarded to the Director on 30 April 1968.<sup>156/</sup> At the same time, general agreement was reached on the following:

There is a small group (12) of Agency employees who will not have 12 years of creditable service by their scheduled retirement date. We feel that these employees, as a group, should be permitted to remain on duty until they accumulate 12 years of service when they earn the right to continue important statutory hospitalization and life insurance coverage.

As originally conceived in 1959, our early retirement policy expected employees to retire at age 60 with 30 years of service or at age 62 with at least 5 years of service. When the Civil Service Retirement Act was amended in 1966 to include a provision for optional retirement at age 60 with 20 years of service, Agency policy was in turn revised. There were some employees who prior to the revision of

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\* For the text of the rationale, see Appendix B.

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Agency policy had been informed that their scheduled retirement would be at age 62 and presumably planned accordingly. With the change, their scheduled retirement age was lowered to 60. We feel that these employees should be permitted to remain on duty until age 62 if they so request. This does not include those employees who at age 60 have at least 30 years of service since this was a requirement under the earlier Agency policy.\*

An overall exception should be made for the group of printers (57) who were induced to transfer from the Government Printing Office to the Agency with the assurance that they would not lose any benefits.\*\*157/

In addition to urging approval of the foregoing exception, the transmittal memorandum contained two major recommendations on policy which read as follows:

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\* The change in policy to require retirement at age 60 with 20 years of service resulted in the issuance of letters to many employees who were told that they should retire at age 60 instead of age 62. This led to considerable unhappiness among the recipients who among other things claimed that they were not being given the customary 5 years' notice. Letters of retraction were written as a result of the decision to moderate the impact of the age 60 rule as it affected individuals who had not yet reached age 62.

\*\* One other group which had been identified previously as requiring special consideration consisted of the members of the Board of National Estimates. Questions relating to the retirement of the members of that Board were to be resolved by the Director.

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Agency policy continues to provide that employees generally will be required to retire at age 60 or as soon thereafter as they are eligible for optional retirement under the law regardless of whether they are covered by the Civil Service or the CIA Retirement system.

Exceptions to the general policy will be considered by the Director on an individual case basis when requested by the head of a Career Service or a Deputy Director.158/

This paper, signed by the Director on 3 May 1968, is regarded as the final word on Agency retirement policy but careful analysis of the paper raises some interesting questions. One such question involves the use of Section 102(c) of the National Security Act of 1947 as a tool to enforce Agency retirement policy. This important provision of the law is referred to in the memorandum but there was no specific recommendation to the Director that it be used in retirement cases.\* Another interesting point is that the rationale, while attached to the memorandum, was also not mentioned in the recommendations presented to the Director. The inference is clear,

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\* It is widely believed that this paper authorized the use of 102(c) in retirement cases.

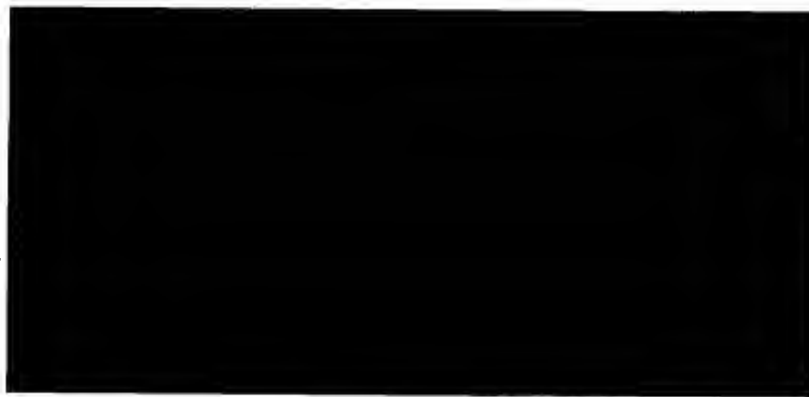
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however, that the rationale met with the Director's approval.

It will be recalled that one consideration applying to the drafting of the rationale was related to its potential value as a publication for distribution to all employees as an explanation of Agency policy in answer to possible Congressional inquiries. As far as is known the rationale was never distributed on an all-employee basis. Apparently its principal use was in the preparation of a revision of Agency [REDACTED] which was published on 31 October 1968.<sup>159</sup>/ The policy statement set forth in that regulation read as follows:

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This has been assumed to be the last word on Agency retirement policy.\* In the minds of many observers, the Agency had at last reached the point where it had a simple, straightforward expression of policy which could be administered with minimum difficulty. It assumed that adequate forewarning would be given to employees and that arrival of the expected retirement date would occur without evidence of trauma.

In the course of the development of the retirement policy rationale, several references were made to the possible damaging effect of the various proposals on employee morale. This was not a new thought. When the retirement policy was being developed in late 1959, there was some concern as to what might happen to the Agency's image and the possible impact on Agency personnel recruitment goals. Probably, the impact of this particular policy on recruitment is beyond measurement in light of the

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\* This history has not touched upon the applicability of Agency retirement policy to contract personnel, but it is generally understood that the wording of the regulation is so broad that it covers Contract employees and Career Agents. However, as of May 1971 the policy had not been applied in any case affecting personnel in this category.

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kinds of publicity given the Agency in recent years, as well as the problems associated with the war in Vietnam. It is suggested, however, that the impact of some clearly measurable data may be in danger of being overlooked. Reference is made to the rapidly increasing number of retirements in recent years.161/ The implications of this sharp increase are, in the views of some observers, very disturbing. Questions such as these arise:

- Are we not headed toward another "hump" a few years hence?
- Are the youngsters who are advancing so rapidly now going to be content when there cease to be as many vacancies as there have been of late?
- Can we stand the talent drain on a continuing and accelerated basis?
- Has the momentum toward retirement gotten out of control?

There are undoubtedly other such questions. It may soon be time to assure ourselves that we have the right answers. One answer suggests that it may be possible that the Agency's retirement policy has been *too* successful. The benefits which have accrued to Federal employees in recent years have caused annuities to skyrocket thereby adding another



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inducement to retirement. If other answers to these questions are in the affirmative, there may be significant problems in the offing.

Regardless of how one views the Agency's retirement policy -- whether as violation of a compact, or as a ruthless weeding-out process -- it cannot be denied that the policy has yielded results.

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Appendix A

CHRONOLOGY, 1947-68

<u>DATE</u>	<u>EVENT</u>
14 March 1947	The first step is taken in the process of establishing a retirement policy for the Agency, although the initial concern is related to the question of which employees are eligible to participate in the Civil Service Retirement System.
2 December 1953	A Regulation is issued containing the first statement of Agency policy on retirement (in essence, this was a restatement of the applicable provisions of the Civil Service Retirement Law).
3 August 1954	The Agency announces its intention to obtain early retirement legislation.
21 March 1957	A bill is introduced in Congress providing for early retirement and other benefits for Agency Personnel.
30 April 1959	The Retirement Board concept is introduced to the CIA Career Council.
17 September 1959	The Director of Personnel recommends that the DCI approve the establishment of a Retirement Board.

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16 October 1959	The DDP notifies his senior officers of the procedures to be followed concerning the retirement of eligible personnel.
6 November 1959	The "Hump Study" is forwarded to the DDCI together with procedures for the separation of surplus personnel.
5 January 1960	The Agency Retirement Board is established, following the approval of the DCI.
20 January 1960	The first meeting of the Agency Retirement Board is held.
26 February 1960	The DDS outlines a retirement policy for components of the Support Services.
28 August 1960	The DDI outlines his retirement policy.
23 April 1961	The Agency retirement policy is discussed in an article in the <i>Washington Star</i> .
25 May 1961	The DDI states his views on retirement policy at Career Council meeting.
3 November 1961	The Agency retirement policy is restated in [REDACTED]
15 December 1961	The DDP requests special treatment for selected CS Careerists under CIARDS.
19 January 1962	The DDCI directs the CIA Career Council to take immediate action on the subject of obtaining early retirement legislation.

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24 January 1962	The second annual report of the Retirement Board is submitted to the Career Council.
20 October 1962	Pay Reform Act of 1962 is enacted.
4 February 1963	The Executive Secretary of the Retirement Board presents his annual report.
11 February 1963	The DDCI requests a summary of existing retirement philosophy.
27 July 1964	The Executive Director-Comptroller announces that stricter application of retirement policy shall be adopted as a measure designed to aid in meeting ceiling reductions.
24 September 1964	The DDS advises the Director of Personnel that the pronouncement of 27 July was not intended as a change of retirement policy.
14 October 1964	President Johnson signs into law the early retirement bill for CIA.
21 April 1965	The identification of employees for nomination as participants in the CIARDS is begun.
25X1A 24 June 1965	██████████ establishes two Retirement Boards: one for employees under the Civil Service retirement regulations and one for employees under the CIARDS.
5 January 1966	The Annual Report of the Agency Retirement Board is issued.
15 November 1966	Procedures and responsibilities concerning the processing of cases involving eligibility for participants in CIARDS are clarified by the Executive Director-Comptroller.

30 December 1966	The two retirement boards are consolidated into one.	
23 February 1967	The DCI approves the revision of retirement policy which calls for the retirement of employees when they reach age 60 with 20 years of service.	
29 May 1967	Regulations [REDACTED] are amended so as to require that extensions based on the "need-for-service" be approved by the DCI.	25X1A
19 June 1967	The Retirement Counseling and Placement Staff is activated.	
3 May 1968	The DCI approves recommendations on revision of Agency retirement policy.	
31 October 1968	Regulation [REDACTED] is issued, which delineates the sense of the retirement rationale.	25X1A

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Appendix B

RETIREMENT RATIONALE

(Tab A: Memo, Executive Director-Comptroller  
to DCI, 30 April 1968)

1. The production of intelligence bearing on the national security for use at the highest levels of policy determination of the United States Government is a responsibility of the gravest note. The organization bearing this responsibility should be staffed with persons of the highest available intellect, integrity, professionalism, dedication, perspicacity, and dynamism. The Central Intelligence Agency's retirement policy is an essential element of its program for ensuring that its staff possesses these attributes to the highest degree feasible.

2. The personnel staffing program of the Agency is based on the concept of selective recruitment for career employment and managed career development. Selection standards are designed to accept only persons with the highest qualifications and potential for development. The Agency's development program provides a career-long blend of formal training and managed progression through appropriate assignments of increasing breadth and responsibility.

3. The goal of the Agency's development program is to place the best available employee in every position. Promotion policy reinforces career development by advancing those who excel and have the capacity for further growth. The Agency's rigorous system for evaluating the performance of its employees is designed to assure high levels of effectiveness. Those who are unsatisfactory are separated; those who are marginal or unlikely to find full career satisfaction are counseled to resign.

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4. Intelligence activities are characterized by continuous changes -- in requirements, methods, techniques, processes, and emphases. As these changes occur, the Agency reassigns its career staff employees and provides supplementary training as required. To the extent that these measures do not meet the needs, requisite skills, experience, and special abilities are acquired by the employment of new personnel.

5. Because there are practical limits to the size of the Agency, the requirement for new employees and the operation of the career development program cannot be accomplished without attrition. Part of this attrition is provided by involuntary separations and resignations through the Agency's system for evaluating employee performance. Other vacancies are provided by voluntary retirement and resignation and by death and disability. But together these do not create a sufficient number of vacancies.

6. The Agency's retirement policy is an integral part of its program to maintain the high level of performance required by its mission and responsibilities. It also provides the additional attrition necessary for career development and the acquisition of new employees. This policy, adopted in 1959, generally limits the career span of its employees to age 60.

7. Agency employees, with some exceptions, have all attained their career peaks several years before reaching age 60. They have had a full CIA career and have made their maximum individual contribution to their Government. Exceptions specifically contemplated are individuals who possess rare scholarship and talents that would be difficult to replace in the normal course of career development and whose retirement would not be in the best interests of the Government. In some cases retirement at 60 may result in loss of valuable experience and know-how and only generate a recruitment and training requirement.

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8. It is recognized that enforcement of the policy to retire employees at age 60 occasionally subordinates the personal desires of the individual to the best interests of the Government. This is usually the case when it is necessary for any reason to separate an employee. The normal voluntary retirement age for most Federal employees is 65, and the compulsory age under the Civil Service system is 70. Similar retirement ages for CIA would result in the gradual accumulation of an excessive number of employees of declining performance, whether due to declining health, motivation, or drive or to inability to adapt to change. The effectiveness with which the Agency fulfills its extraordinary responsibilities depends entirely upon the highest possible level of effectiveness in staffing the Agency. Consequently, extraordinary action toward attaining and maintaining this goal -- such as effecting a retirement policy more stringent than that for the Federal service in general -- is warranted.

9. Retirement at age 60 may appear less appropriate for those Agency employees who are in positions that are not unique to intelligence activities. In theory, it might be possible to identify all such positions and exempt the incumbents thereof from the retirement policy.

10. There are two reasons for not doing so. Attempts to formulate criteria of differentiation would generate new problems of morale and administration. The creation of exempt categories of employees would foster odious comparisons. It would thwart the implementation of the general retirement policy indefinitely as groups and individuals pleaded their individual cases.

11. The more fundamental reason for not exempting certain categories of Agency employees is that the work of the Agency must be performed with utmost responsiveness. This requires a general state of mind on the part of all employees that timeliness is critical, accuracy is imperative, and absorption with the

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task at hand takes priority over personal distractions. Advancing years inevitably bring about a lessening of work vigor and enthusiasm. The larger the proportion of older employees, the greater the debilitating effects on the tenor of the Agency.

12. In summary, the age 60 retirement policy is a key element of the Agency's efforts to attain excellence in its staffing. Without the policy the entire personnel program of the Agency would be impaired. The most vigorous and productive individuals, finding themselves stymied, will leave the service or will never be persuaded to enter in the first place. By shortening the career span of all employees, service in intelligence will continue to be highly attractive to outstanding young men and women. In the end, our national intelligence objectives will be best served.

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Appendix C

Source References

Unless otherwise noted, copies of all source references in this history are on file in a special collection of the CIA Historical Staff. The file number is HS/HC-552.

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37. Memo for Chairman, CIA Career Service Board (15, above).
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47. *Ibid.*
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54. Memo [for All Division Chiefs] from the DDP, 16 Oct 59, sub: retirement of eligible personnel (Cited in DDP 4-9520). S. [Attached to source reference No. 58.]
55. Memo for the Retirement Board from Lawrence R. Houston, 29 Jan 60, sub: retirement programs. S.
56. *Ibid.*
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- 155. Memo for General Counsel from Emmett D. Echols, 25 Mar 68, sub: incentives/compensatory compensation for early retirement. U.
- 156. Memo for DCI from Col. L.K. White, 30 Apr 68, sub: retirement policy. S.
- 157. *Ibid.*
- 158. *Ibid.*
- 25X1A 159. 
- 160. *Ibid.*
- 161. DDS Historical Series, OP-1 (146, above).

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